

The Incorporated Accountants' Journal

The Official Organ of

The Society of Incorporated Accountants and Auditors

THE INCORPORATED ACCOUNTANTS' JOURNAL is published monthly, on the first day of each month, at an Annual Subscription of 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 3d., postage extra.

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and

Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

Vol. XLIX

APRIL, 1938

No. 7

Contents.

	PAGE
Professional Notes	225
Hire-Purchase Transactions (Article)	228
Restrictions on Right to Alter Articles (Article)	229
Incorporated Accountants' Course at Oxford	230
The Society of Incorporated Accountants and Auditors:—	
Council Meeting	231
Membership	235
South African (Northern) Branch, Johannesburg	238
Scottish Branch: Annual Meeting and Report	255
Scottish Branch: Luncheon to Mr. Witty	256
Obituary	231
Tax Cases	231
American Institute of Accountants	233
Forthcoming Events	233
Incorporated Accountants' Research Committee:	
The Design of Accounts	234
Chartered Institute of Secretaries: Country Conference	237
Changes and Removals	239
Reviews	239
Yorkshire District Society: New Headquarters	239
Questions in Parliament	240
The Ethics of Accountancy: Lecture by Sir Harold Beliman, M.B.E.	240
Britain and The United States: Lecture by Dr. W. H. Coates, LL.B.	248
Scottish Notes	257
Legal Notes	257
District Societies of Incorporated Accountants:—	
Manchester and District: Annual Dinner	232
South Wales and Monmouthshire: Annual Dinner	236
Swansea and South-West Wales: Annual Dinner	247
North Lancashire: Annual Dinner	252
Belfast and District: Luncheon Meeting	254

Professional Notes.

As from March 1st last a new set of forms came into operation in connection with the Registration of Business Names Act, 1916. These forms are set out in a pamphlet entitled "Business Names Rules, 1938," and may be obtained from His Majesty's Stationery Office, Adastral House, Kingsway, London. The forms for actual use may be had from the Registrar of Business Names, Chansiter House, Chancery Lane, W.C.2.

The Gilbert Lectures on Banking are being delivered this year by Professor R. S. Theodore Chorley, M.A. (Sir Ernest Cassel Professor of Commercial and Industrial Law in the University of London), who has taken as his subject "The Relationship of Banker and Customer, more especially in regard to the Payment of Cheques." There are four lectures in all, reports of which will be found in the *Financial Times* of March 18th and 25th and April 1st and 8th.

Lord Hailsham, after a distinguished political career, has resigned the position of Lord Chancellor and accepted office as Lord President of the Council, which entails less onerous duties. The new Lord Chancellor is Lord Maugham, whose appointment has given great satisfaction to the legal profession. After obtaining many distinctions at Cambridge University, including that of senior Optime in the mathematical tripos in 1888 and President of the Union, he was called to the Bar in 1889. Ten years ago he became a Chancery Judge, in 1934 went to the Court of Appeal, and in 1935 was made a Lord of Appeal in Ordinary. Lord Maugham is regarded as one of the keenest and most effective of our lawyers now holding high office.

The Supreme Court of Canada has upheld the position taken by the Federal Government in relation to the Alberta Social Credit legislation. The Chief Justice, Sir Lyman Duff, in delivering the judgment of the Court, which was unanimous, said that the Social Credit legislation of Alberta had transgressed the legal powers of a provincial legislature as defined in the British North America Act. It is now announced that the Alberta Premier, Mr. Aberhart, proposes to appeal to the Privy Council against this decision. Meantime it is reported that the Motor Car Supply Company of Canada has filed an action at Calgary in which the Supreme Court of Alberta is asked to declare *ultra vires* the Social Credit Act and the Licensing of Trades and Businesses Act with the regulations made thereunder.

Can a Corporation sue for rates? It was held recently in the case of the *Liverpool Corporation v. Hope* that it cannot. A receiver appointed by a building society to whom certain property had been mortgaged, paid the rates accruing from the date of his appointment, but an amount due prior to that date remained unpaid. The Corporation

accordingly brought an action in the County Court claiming such rates from him and also damages for alleged breach of his duty under Section 109 (8) of the Law of Property Act, 1925, which provides for the application of the moneys received by the receiver towards "the discharge of all rents, taxes, rates and outgoings whatever affecting the mortgaged property." The main argument for the defence was that the only means of recovering rates was by distress and that there was no right of action in the Courts.

The County Court Judge gave judgment against the Receiver on both counts, treating the Corporation as being in an analagous position to a landlord who can either sue or distrain, but the Court of Appeal have reversed this decision, Lord Justice Slesser pointing out that a landlord's right to sue arises from contract whereas rates are a creature of statute and there can be no common law remedy. His Lordship added that there was no breach of duty on the part of the receiver and consequently there could be no damages for breach.

An interesting point in relation to the assessment of duty on estates of deceased persons came before Mr. Justice Simonds last month in the case of *Tyser v. Attorney-General*. The estate in question was possessed of a valuable collection of drawings, statuary and other works of art which, in the discretion of the executors, was left in possession of the widow of the deceased until her death, and were thus exempt from Estate Duty under the provisions of sect. 40 of the Finance Act, 1930, which exempts articles of national, scientific, historic or artistic interest so long as they are enjoyed in kind. Upon the death of the widow it became necessary to dispose of these works of art, which realised a gross sum of £140,000, against which the expenses of sale were over £13,000, of which £10,000 represented the auctioneers' commission. The point at issue was whether the gross or the net proceeds of sale had to be included in the widow's estate for the purpose of Estate Duty.

His Lordship decided that only the net amount was liable to be brought into account with appropriate adjustments as to rate and aggregation as provided by the section above referred to, and that there was no justification for regarding the £10,000 paid to the auctioneers for commission as a taxable item. The Act, he said, stated that "the proceeds of sale" were to be chargeable—in other words, the value which came to the person who was taxed.

The decision of Mr. Justice Finlay in 1935 in the case of *Thomas Paton (as Trustee for Henry Fenton) v. Commissioners of Inland Revenue*, which attracted a good deal of attention, has been confirmed in turn by the Court of Appeal and now by the House of Lords. The point at issue was whether repayment of income tax could be claimed in respect of bank interest when such interest, instead of being actually paid, was added half yearly by the bank to the existing debit balance which was secured by the deposit of investments. The appellant had a certain amount of taxed income in each of the years for which relief was claimed, and he maintained that to the extent of such income the interest was paid out of profits or gains brought into charge to tax. The arguments put forward by the Inland Revenue authorities were that the interest was not "paid" within the meaning of sect. 36 of the Income Tax Act, 1918, or, if deemed to have been paid, it was not paid out of profits or gains brought into charge to tax.

The House of Lords have not decided the second point, as they have held that the interest was not in fact "paid." In their Lordships' opinion it could not be said that the interest had been paid by being added to the debit balance. Lord Atkin quoted with approval a remark of Mr. Justice Russell in an earlier case of a similar character to the effect that the interest was not capitalised because it was paid, but because it had in fact not been paid. The relief claimed by the appellant could not therefore be allowed.

Another appeal which has been dismissed by the House of Lords is that of the Inland Revenue against the decision in the case of *Hughes (Inspector of Taxes) v. Bank of New Zealand*, to which we referred in these columns in January, 1937. The Inland Revenue authorities claimed income tax on the amounts received by the Bank of New Zealand in respect of interest on 5 per cent. War Loan, India 3 per cent. Stock and certain Dominion investments. It was admitted that the Bank, which had a branch office in London, was not ordinarily resident in this country, but it was contended that the Bank was not entitled to exemption from tax as it was trading in this country. It was further contended that if the interest and dividends on the investments in question were exempt from tax the expenses incurred in connection with their acquisition ought not to be allowed as expenses chargeable against the profits of the London office.

Mr. Justice Lawrence and the Court of Appeal both decided in favour of the Bank on all points, and in the House of Lords the Crown did not pursue their claim in respect of the War Loan interest. Their Lordships definitely negatived the Crown's general contention that the exemption provisions regarding the investments in question did not apply when the interest thereon formed part of the trading profits as in this case. They also had no difficulty in rejecting the contention of the Inland Revenue Authorities that General Rule 2 (d) of Schedule C was limited in its operation to that Schedule inasmuch as unlike Rules 1 and 3 no limitation to Schedule C was mentioned in Rule 2.

Their Lordships similarly held that the Bank succeeded in its claim for exemption in respect of the Dominion securities as they considered that General Rule 2 (d) of Schedule C was incorporated by Miscellaneous Rule 7 (2) of Schedule D. Finally they decided that as the Crown had been unable to point to any authority for their contention there was no ground for disallowing the expenses in connection with these investments, and the Bank was therefore successful on every issue.

Any of our readers who are likely to be interested in estates of deceased persons domiciled in Northern Ireland should make a note of the case of *Re White : Skinner v. Attorney-General*, which deals with the subject of Estate Duty where the property on which an annuity was secured was situate partly in England and partly in Northern Ireland. On the death of the annuitant it was held that Estate Duty was leviable by the English Revenue authorities on the value of the property in England on which the annuity was secured, to the extent to which a benefit accrued by the cesser of the annuitant's interest under the provisions of the Finance Act, 1894, sect. 2 (1) (b), such extent to be qualified by the process of valuation indicated in sect. 7 (7) of that Act.

In our issue of January last we reported the judgment of Mr. Justice Farwell in the case of *Re M. Conley (trading as Caplan and Conley) ; ex parte The Trustee v. Barclays Bank Limited and Others*. The Trustee sought to recover sums paid to Barclays Bank and Lloyds Bank by the bankrupt out of moneys obtained as the result of what the Judge termed "a course of most dishonest dealing" on the ground that the payments to the banks constituted a fraudulent preference. It may be remembered that his Lordship held that there was no fraudulent preference because, in the first place, the intention was not to prefer the banks, but the bankrupt's

wife and mother who had deposited investments with the banks as collateral security for overdrafts, and, in the second place, because in his opinion the depositors did not come within the meaning of the expression "surety or guarantor" in sect. 44 of the Bankruptcy Act, 1914.

This decision has now been reversed by the unanimous judgment of the Court of Appeal, it being held that Mr. Justice Farwell had placed too narrow an interpretation upon the meaning of the words "surety or guarantor." The appeals were accordingly dismissed and the motions referred back to the Chancery Court for further hearing. This appears to be one of those unfortunate cases where one of two innocent parties—either the creditors or the banks—must suffer. It is understood that there may be an appeal to the House of Lords.

In another column under the head of "Questions in Parliament" will be found an answer by the Chancellor of the Exchequer to a question relating to allowances in respect of expenditure on air-raid precautions as deductions in computing trading profits for Income Tax purposes. The Chancellor states that the matter is primarily one for the respective bodies of Income Tax Commissioners, the treatment indicated by him being that which the Board of Inland Revenue would regard as appropriate.

Developments in the accountancy profession in the British Dominions are followed with close interest by members of the profession in Great Britain and Ireland. The organisation of the profession in South Africa has presented some distinguishing features because in the Transvaal practitioners must be registered under the terms of the Transvaal Ordinance, 1904, and a similar position obtains in Natal under the Natal Accountants Act, 1909. Registration is not in force in the Cape Province or the Orange Free State. By the foregoing measures the Transvaal Society of Accountants and the Natal Society of Accountants were incorporated. These two bodies are in close communication with the Cape Society of Accountants and Auditors and the Society of Accountants and Auditors in the Orange Free State, and the joint examinations of the four bodies are controlled by a General Examining Board.

In the year 1934 the Government of the Union of South Africa appointed a Commission to inquire into the organisation of the accountancy profession and to advise whether it was desirable to place the profession of accountancy in the Union of South Africa on a unified basis

controlled by a representative body who would maintain a register of the names of all qualified members of the profession. A report which was issued by the Commission in 1936 recommended legislation to provide for the registration of members of the accountancy profession in the Union of South Africa, and to prescribe the conditions of entry into the accountancy profession in South Africa for the future. The report included the draft of a Bill which it is understood has now been introduced, as a private member's Bill, into the Parliament of the Union of South Africa at the instance of the four South African Societies. The introduction of the Bill in this Session is preliminary only, and its detailed consideration will probably be dealt with during a later Session.

HIRE-PURCHASE TRANSACTIONS.

WHEN the lawyer and the accountant use identical terms, but attach different meanings thereto, confusion is likely to result; and such confusion has, in fact, resulted over the use of the phrase "Hire-purchase Contract." The accountant employs this phrase to describe any contract under which one person is to acquire goods from another on deferred payment terms provided that the contract stipulates that no property in the goods shall pass to the buyer until the final payment shall have been made. The lawyer, however, uses the phrase in a narrower and more technical sense. Many of the transactions which the accountant calls hire-purchase contracts are not hire-purchase contracts from the lawyer's point of view.

In order to appreciate the legal point of view it is necessary to examine briefly the history of these transactions. When the notion of supplying goods to purchasers before the price was paid was first conceived, a danger to the seller became apparent. There was the possibility that the purchaser might resell the goods before he had paid for them and either decamp with the proceeds or become insolvent. By way of protecting the seller against this danger it became the custom to insert in every contract of sale which provided for deferred payments a stipulation that no property in the goods should pass to the buyer until the final payment should have been made. The effect of this stipulation was that if the buyer resold the goods (otherwise than in market overt) before he had paid the full price the title of the person to whom they were resold was imperfect by reason of the rule that a buyer cannot obtain a better title than his seller. In this manner the original seller retained the right

to claim the goods or their value from the person to whom they were resold if that event occurred.

It must be noted, however, that this early form of deferred payment contract was not what the lawyer calls a hire-purchase contract. The hiring element was completely lacking. It was an ordinary contract of sale, although the price was to be deferred. This form of contract operated successfully until the passing of the Sale of Goods Act, 1893. Sect. 25 (2) provided that if "a person who had bought or agreed to buy goods" obtained "possession" of the goods with the buyer's consent and resold the goods to a *bona fide* purchaser, the sale should have the same effect as a sale under the Factors Act. In other words, the person to whom the goods were resold should obtain a title notwithstanding that his seller had no title. As a result of this section a person selling on deferred terms lost the protection he had formerly been able to obtain by stipulating that no title was to pass to the buyer until the full price had been paid.

The legal profession was not, however, routed by the section. They observed that it operated only where "a person who had bought or agreed to buy goods" obtained possession. It became apparent, therefore, that if they could frame a contract under which the person obtaining possession of goods did not buy nor agree to buy them, they could defeat the section. The result of their deliberations was what the lawyer calls a hire-purchase contract. Under this form of contract the person to whom goods are supplied does not buy nor agree to buy them. He agrees only to hire them at a fixed monthly rental, and though the seller undertakes that the other party to the contract shall have an option to buy the goods, the other party does not agree that he will buy. Sect. 25 (2) of the Sale of Goods Act does not apply to these contracts because the goods do not come into the possession of "a person who has bought or agreed to buy the goods." If, therefore, they are resold before the option to purchase has been exercised, the person to whom they are so resold will not obtain a perfect title. Such is the true hire-purchase contract. It is so called because the seller agrees to sell, but the other party agrees only to hire, not to buy. A contract which makes no mention of a hiring is not truly a hire-purchase contract; and this is so from the lawyer's point of view even where the contract contains a stipulation that no property in the goods shall pass until the full price has been paid. There is always such a stipulation in the hire-purchase contract; but the stipulation is found also almost as frequently in contracts which are not hire-purchase contracts at all.

The accountant classifies transactions with a view to the requirements of accounting. Where under a deferred payment contract no property is to pass until the full payment has been made, he treats the transaction as if it were one of hire-purchase whether or not the lawyer would call it a hire-purchase contract; and he falls into the habit of describing all contracts of this class as "hire-purchase" contracts. There can be no quarrel with this usage provided that it is borne in mind that the phrase is being used in the accountancy sense, and that for legal purposes many of the contracts which the accountant calls hire-purchase contracts involve no element of hiring and are not hire-purchase contracts at all.

RESTRICTIONS ON RIGHT TO ALTER ARTICLES.

THE Companies Act, 1929, sect. 10, provides that subject to the provisions of the Act and to the conditions contained in its Memorandum, a company may by special resolution alter or add to its Articles. Any alteration or addition so made in the Articles will, subject to the provisions of the Act, be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

The cardinal rule of corporation law, that a majority of its members *prima facie* is entitled to exercise the powers of the corporation, is generally applicable to a company governed by the Companies Act, 1929, with certain limitations and qualifications. A very common limitation is the requirement of a majority of three-fourths of those who, entitled to vote, do vote, in person or by proxy, *e.g.* sect. 117 of the Act of 1929, which has reference to extraordinary and special resolutions, and sect. 153, which deals with the power of a company to compromise with members and creditors.

As a rule, important changes in the constitution or regulations of a company require a special resolution, *e.g.* alteration of Memorandum or Articles, so that, with the exception of the ordinary business of a company, a bare majority is insufficient. The Memorandum and Articles commonly give the directors certain exclusive powers, *e.g.* the management of the business and the control of the company, and unless there is express provision to the contrary, a majority of the shareholders present at an ordinary general meeting cannot exercise any direct control over the directors while they so act within their powers (*Quin & Axtens v. Salmon* (1909)). The directors of a company are not entitled to use their power

of issuing shares merely for the purpose of retaining control over the affairs of the company or defeating the wishes of the existing majority of the shareholders (*Piercy v. Mills* (1919)). The company may, however, alter the Articles and thus ultimately attain its aims.

The power given to a general meeting by special resolution to alter Articles is limited to altering the Articles relating to the management of the company, and not to altering its constitution (*Hutton v. Scarborough Cliff Hotel Company* (1865)). This power must, like all other powers, be subject to those general principles of law and equity which are applicable to all powers conferred on majorities enabling them to bind minorities. It must be exercised not only in the manner required by law, but also *bona fide* for the benefit of the company as a whole, and it must not be exceeded (*Allen v. Gold Reefs* 1900). This principle was followed in *Brown v. British Abrasive Wheel* (1919), where it was held *ultra vires* for a company to alter the Articles enabling a majority of the company to expropriate the minority on paying proper compensation, Mr. Justice Astbury saying: "It is difficult to see how it could be just and equitable that a majority, on failing to purchase the shares by agreement, should take power to do so compulsorily." Sect. 10 of the Companies Act must be subject, therefore, to the limitation that it cannot be used to oppress or defraud a minority of shareholders or so as to violate any principle of law or statute. It is for the shareholders and not for the Court to say whether an alteration is for the benefit of the company, provided that it is not of such a character as that no reasonable man would so regard it (*Shuttleworth v. Cox*, 1927).

By sect. 22 of the Act of 1929, no member of a company is bound by any alteration in the Articles which requires him to take more shares, or in any way increases his liability to contribute to the share capital of the company or otherwise pay money, unless he has agreed thereto in writing before or after the alteration.

In *Sidebottom v. Kershaw* (1919), it was held that a company's Articles may be altered so as to provide that shareholders who carry on business in competition with the company may be required to transfer their shares to a nominee of the directors at a price certified by the auditors to be their fair value, but the alteration must be made *bona fide* with the intention of benefiting the company as a whole. In *Dafen Tinplate Company v. Llanelly Steel Company* (1920), it was held that a special resolution to alter Articles to require any shareholder, other than

a specified person, to transfer his shares at such a price as the board might determine, was a power given to the majority of the shareholders which was not for the benefit of the company as a whole, and therefore invalid.

A private company, the Articles of which authorised the directors to provide for the welfare of employees and their widows and children, entered into a deed by which it granted a pension of £500 a year to the widow of a former managing director five years after his death. Some three years later the company being voluntarily wound up, the widow lodged a proof for the capitalised value of the annuity which the liquidator rejected. It was held that the transaction was not one for the benefit of the company or reasonably incidental to the company's business. The pension did not come within the terms of the company's Articles, as a managing or other director is not a person in the employment of a company, and the action of the directors had not been confirmed by the shareholders in general meeting; the grant of the pension was therefore void.

Three Scottish cases illustrate the limitations of alteration of Articles. In *McArthur v. Gulf Line* (1909), a transferee presented a transfer for registration and under the existing Articles would have been entitled to have it registered. An alteration in the Articles had been made for the express purpose of defeating this right of transfer. It was held that the transferee's right could not be thus defeated and he was entitled to be placed on the register notwithstanding the alteration in the Articles. In *Gill v. Arizona Copper Company* (1900), it was held that the contract rights of shareholders cannot be extinguished by the company or by a majority of the class of shareholders to which they belong. In *Re Aberdeen Steam Company* (1919), an application for confirmation of a special resolution altering the Articles with the effect of giving the company power to sell apparently the whole undertaking was refused, on the ground that the powers of alteration by the Companies Act are limited, in that it appears to be assumed in the statute that the company is not entitled to lose its identity, *i.e.* the proposed alteration must be for its advantage as a going and continuing concern.

A company may alter its Articles so as to vary a contract with an outsider, when the outsider has taken his contract subject to the risk of the Articles being altered, provided that such alteration is made *bona fide* (*British Equitable Life Company*, 1906). But unless such an outsider has accepted this risk, an alteration of the

Articles will not deprive him of any of his rights under the contract, and the company will remain liable, despite the alteration, in respect of any breach of the contract (*British Murac Syndicate v. Alperston Rubber Company*, 1915).

Any contract entered into as the result of an invalid alteration of the Articles is null and void and cannot be ratified, although the company or its agents may in this case be liable in damages if, by misrepresentation of the company's powers, any one has been induced to enter into such an invalid contract (*Weeks v. Propert*, 1873).

INCORPORATED ACCOUNTANTS' COURSE AT OXFORD IN JULY.

A development of the Society's educational policy in recent years has been the institution of courses for Incorporated Accountants. These courses are necessarily short, but they afford exceptional facilities for those who have passed their examinations to concentrate for a few days on the study of selected subjects of an advanced character, under the guidance of recognised experts.

The Council is pleased to announce that, by kind permission of the Warden and Fellows of New College, Oxford, an Incorporated Accountants' Course will be held at the College from Wednesday, July 13th, to Sunday, July 17th, 1938.

At the opening meeting on Wednesday, July 13th, the members attending will be welcomed by the Warden of New College, The Right Hon. H. A. L. Fisher, O.M. Mr. Walter Holman, President of the Society, will preside at a dinner in the College Hall on Friday, July 15th, when official guests will be entertained.

The arrangements will be on similar lines to the two previous successful courses at Gonville and Caius College, Cambridge.

The course will deal with the following subjects:—

DATES.	PROGRAMME OF LECTURES.
Thursday, July 14th, 9.15 a.m.	"The Audit of Private Companies and Private Concerns." Mr. C. P. Barrowcliff, F.S.A.A., Middlesbrough.
Thursday, July 14th, 11.15 a.m.	"The Effect on Auditing of Machine Accounting." Mr. R. N. Barnett, A.S.A.A., London.
Friday, July 15th, 9.15 a.m.	"National Finance." Professor N. F. Hall, M.A. (University of London).
Friday, July 15th, 11.15 a.m.	"The National Defence Contribution." Mr. H. E. Seed, A.S.A.A., London.
Saturday, July 16th, 9.15 a.m.	"The Organisation of an Accountant's Office." Colonel R. C. L. Thomas, T.D., D.L., F.S.A.A., Newport, Mon.
Saturday, July 16th, 11.15 a.m.	"The Conduct of Investigations." Mr. W. G. Lithgow, F.S.A.A., Southport.

At the conclusion of each lecture, members will divide into a number of groups for informal discussion.

The members attending the course will reside in College, and all meals will be taken in the College Hall. Facilities will be available for games and recreation.

The inclusive fee for the course will be £4. The complete programme and forms of application will be issued shortly, and a handbook containing full details of the arrangements will be issued to members who attend the course.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held on March 22nd. There were present: Mr. Walter Holman (President) in the chair, Mr. Percy Toothill (Vice-President), Mr. F. J. Alban, C.B.E., Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. H. J. Burgess, Mr. D. E. Campbell, Mr. Arthur Collins, Mr. Tom Coombs, Mr. R. T. Dunlop, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, Mr. Alexander Hannah, Sir Thomas Keens, D.L., Mr. Edmund Lund, M.B.E., Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. James Paterson, Mr. F. A. Prior, Mr. Joseph Turner, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary) and Mr. L. T. Little (Deputy Secretary).

Apologies for non-attendance were received from Mr. A. Stuart Allen, Mr. W. Allison Davies, C.B.E., Mr. Bertram Nelson and Mr. A. H. Walkey.

INCORPORATED ACCOUNTANTS' OXFORD COURSE, 1938.

The Chairman of the Oxford Course Committee, Mr. Percy Toothill, reported the arrangements made for the Course to be held at New College, Oxford, from July 13th to 17th, 1938, and submitted the programme of lectures.

SCOTTISH BRANCH.

Mr. R. T. Dunlop reported the visit of Mr. Richard A. Witty to Glasgow to attend the annual meeting of the Scottish Branch on March 11th, when the Scottish members entertained Mr. Witty to luncheon. Mr. Witty expressed his pleasure at his visit and said he was glad of the opportunity to exchange views with the Scottish Council.

CANADIAN COMMITTEE.

A report was received that Mr. A. F. C. Ross, F.S.A.A., Montreal, had been appointed Chairman and Mr. Alexander Archibald, A.S.A.A., Montreal, Honorary Secretary of the Society's Canadian Committee.

AWARD OF GOLD MEDALS.

The Council made the following awards in respect of the examinations held in 1937:—Gold Medals: Mr. Leonard John Dennis Jones, Luton, and Mr. James Scott Davidson Dey, Johannesburg, who were bracketed for the First Certificate of Merit in the November, 1937, Final examination.

DEATHS.

The Secretary reported the deaths of the following members:—

Mr. Henry Bramall (Fellow), Sheffield; Mr. Richard Caws, (Fellow), London; Mr. James Alfred Charlton (Fellow), Manchester; Mr. George James Barron Curtis (Fellow), Bath; Mr. John Grimes (Associate), South

Shields; Mr. Frank Field Hathorn (Fellow), Johannesburg; Mr. Robert Watson McKirdy (Associate), Glasgow; Mr. Alexander Morrison (Associate), London; Mr. Henry Aubin Maurant (Fellow), London; Mr. Charles Grosvenor Portlock (Associate), London; Mr. John Roberts (Fellow), Manchester; Mr. John Arthur Stocks (Associate), Bacup; Mr. William Coventry Westlake (Fellow), Southampton.

RESIGNATIONS.

The following resignations were accepted with regret as from the dates indicated:—

December 31st, 1937: Mr. Ernest Lionel Burton (Fellow), Stansted; Mr. George Flower (Associate), London; Mr. John Edward Carter Gillett (Fellow), Potchefstroom, South Africa; Mr. Sydney Ernest Trenaman (Associate), London.

December 31st, 1938: Mr. Kenneth Maynard Crick (Associate), Salisbury.

Obituary.

JOHN GRIMES.

We announce with regret the death on February 26th, at the age of 83, of Mr. John Grimes, A.S.A.A., senior partner of Messrs. John Grimes & Son, Incorporated Accountants, South Shields. Mr. Grimes became a member of the Society in 1893 and practised as an Incorporated Accountant in South Shields since 1897. His son, Mr. Walter C. Grimes, A.S.A.A., was admitted to partnership in 1920.

Mr. John Grimes was a co-opted member of the South Shields Public Libraries Committee for about 20 years. He was a member of the Hadrian Lodge of Freemasons, and his hobbies were fishing and sketching. He celebrated his diamond wedding in December, 1936.

GEORGE JAMES BARRON CURTIS

We regret to announce the death of Mr. G. J. Barron Curtis, F.S.A.A., who died at a Bath hospital on March 12th on his 79th birthday.

Mr. Curtis was admitted an Associate of the Society of Incorporated Accountants in 1892, and a Fellow in 1898. He always took a keen interest in the work of the West of England District Society, of which he was the first President. He was again elected to that position in 1909 and 1922, and remained a member of the Committee until his death. Mr. Curtis had been in practice since 1892. His many other activities included the secretaryship of the Bath branch of the R.S.P.C.A., and of the Bath Operatic Society.

The funeral took place at Locksbrook Cemetery, Bath, on March 16th, and was attended by a large company including the President, Vice-President, and members of the Committee of the District Society.

RICHARD CAWS.

We regret to record that Mr. Richard Caws, F.S.A.A., died suddenly in his office on February 28th, at the age of 61. Mr. Caws became a member of the Society of Incorporated Accountants in 1909, and shortly afterwards commenced public practice in London. He was also Secretary for over 30 years of Milestone & Staniforth, Ltd., and had been a director since 1926.

Tax Cases.

It is announced that leaflets containing judgments in tax cases and appeals will be made available in future by H.M. Stationery Office at a subscription price of £1 1s. per annum. For this sum issues will be sent for twelve months beginning in any month, post free.

Manchester and District Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' Society of Manchester and District was held at the Midland Hotel, Manchester, on March 23rd. The President, Mr. HENRY SMITH, F.S.A.A., was in the chair, and the company included the Lord Mayor of Manchester (Alderman J. C. Grime), Mr. Walter Holman (President of the Society of Incorporated Accountants), the Mayor of Bolton (Alderman T. Halstead), Sir Miles Mitchell, Mr. Francis Grundy (President of the Manchester Chamber of Commerce), and many other representatives of the civic, commercial and professional life of the district.

The LORD MAYOR OF MANCHESTER, responding to the toast of "The City and Trade of Manchester," which was proposed from the chair, said he welcomed the opportunity of expressing his appreciation of a professional organisation such as the Society of Incorporated Accountants. He remembered with pleasure some of those great personalities who took the leading part years ago in the formation of the Manchester Society. They were outstanding men in their day. He was certain from what he knew of those who had succeeded them that the traditions they established were being worthily maintained.

SIR MILES E. MITCHELL, as an alderman of the City and a business man, supported what the Lord Mayor had said, and added that the accountants of the city were making a valuable contribution to Manchester's great effort to win through the difficult times which had been its recent experience.

Mr. FRANCIS GRUNDY (President of the Manchester Chamber of Commerce) proposed the toast of "The Society of Incorporated Accountants." He said he had the highest regard as a business man for the profession of accountancy. The Incorporated Accountants of Manchester and the Manchester Chamber of Commerce, over which he had the honour to preside, had been on terms of friendship and understanding for many years. There was a pressing need for the closest possible co-operation between such organisations. The world to-day required more than ever the application of the best brains and ideas in working out a new policy—commercial and political—to meet rapidly changing conditions over a large part of the world. He was speaking in no party-political sense. He was a business man who was anxious to continue to trade with overseas countries on an amicable basis and with a prospect of increasing contacts. Whatever some people might feel to the contrary, he was only stating a truism when he said that trade was the best security for a peaceful civilisation. Organisations like the Manchester Chamber of Commerce and the Society of Incorporated Accountants had a great work to do. Accountants gave expert advice and rendered special services to every conceivable branch of activity. In its own way the Chamber of Commerce worked for the general good. He was glad of the opportunity of acknowledging the help which his predecessor in office received from the expert members of the accountancy profession last year when the Chamber of Commerce dealt with the Chancellor of the Exchequer's National Defence Contribution proposals. That was an occasion for the pooling of ideas. The trading community, through the Chamber, expressed its anxiety concerning the original scheme, but it could not work alone, and it felt the need for

guidance from those professional gentlemen who had expert knowledge of taxation methods. Praising the work of the Society of Incorporated Accountants, he said the accountant had in a peculiar way the confidence of his client. If there was one man whom the business man had to trust it was the accountant, for the accountant saw all his private affairs. There had been accountants on the board of the Manchester Chamber of Commerce, and he thought that would indicate the confidence which the organisation he represented had in the profession. With every confidence in the ability and determination of the Society to achieve and maintain its most worthy professional objects, he asked the company to drink to its continued prosperity, coupling with the toast the name of its President, Mr. Walter Holman. (Applause.)

Mr. WALTER HOLMAN (President of the Society of Incorporated Accountants), in responding, said that during the months since he was appointed President of the Society he had replied to the toast of its health in many parts of the country and, in addition, he had represented the Society in Ireland, France, America and Canada, but he felt that he had reached a climax in coming to Manchester to visit the oldest and largest of their District Societies. Whether from the point of view of the number of its members and students or the number and importance of the towns which were included in its area, Manchester was in a class by itself and it justified its proud position by the support which it gave to the work of the Society in other districts as well as at headquarters. In thanking them for the cordiality with which they had received the toast, Mr. Holman said he would like to express the grateful thanks of headquarters to Mr. Smith, their chairman at the dinner, to Mr. Piggott, their Secretary, who was carrying on the great work of his father, and through them to those past and present members of Committee by whose efforts the work of the District Society had been maintained for more than half a century. Before he dealt with outside matters he would like to address a personal word to the senior members of the Society who were present. They were all aware that the provision of University refresher courses was now a permanent feature of the educational work of the Society and that the next course would be held at New College, Oxford, in July next. The course was designed to be of particular assistance to younger members of the Society who had qualified in the last few years and senior members could help themselves as well as the Society by making it possible for their junior partners and qualified assistants to attend the course. Some time ago he received a post-card inviting him to send for particulars of a safe investment in property. He accepted the invitation and, in due course, received a quantity of literature, including a copy of the last balance sheet, from a property society registered under the Industrial and Provident Societies Acts. A study of the literature made it clear that the transactions of the society were of considerable magnitude and that its assets and share capital were large. No undue modesty was shown in setting out the advantages of a safe investment with a generous rate of fixed dividend, and a form of application for shares was included. Now the proposition looked attractive; the holding of any one individual was limited to £200, so that if there had been any risk, a possibility not to be thought of, that risk would be thereby also limited. No entrance fees were payable, the investment was free from fluctuation and could be easily realised should the necessity arise, and dividends were payable at regular intervals. He therefore proceeded to fill up a form of application, when he noticed that it was for a certain class of shares, and on re-examining the balance sheet he found that there were two classes of

shares, and began to wonder. Who were the holders of the other class and what were the rights attaching to each class? What dividends (if any) had been paid on each class of shares in previous years? The literature was silent on these points as on many other points on which further information seemed necessary and he came to the conclusion that no member of the public ought to be expected or invited to purchase shares under such conditions. If the business had been registered under the Companies Act, the literature sent to him would have constituted a breach of the Companies Act; the directors would have been guilty of "share-pushing," about which so much had been heard lately, and they would have rendered themselves liable to very heavy penalties. It was reasonable to ask why less onerous conditions should apply to the directors of property societies. The society to which he had made special reference was only one of many throughout the country in which large sums of money had been invested and since invitations to invest were being broadcast by the Press and postal advertisements, and particularly to the small potential investor, it was a matter of public interest that the position should be clearly understood. He was simply stating the facts when he said that property societies were not philanthropic institutions but were businesses trading for profit, and were subject, therefore, to the ups and downs inseparable from competitive trading under fluctuating conditions and subject to the human element in management. The fact that there had been cases where societies had failed and investors had lost their money only proved that the purchase and management of properties was no more immune from danger than any other form of business enterprise, and the fact that those who had lost their money were largely small investors who could least afford it made the desirability of adequate protection more urgent. He was not suggesting that property societies generally were not properly conducted, or that there was anything illegal in their activities, but he was suggesting that as they existed to-day they represented an anomaly for which there was no justification. The Industrial and Provident Societies Acts were framed to provide a simpler and cheaper medium for the investment of the savings of small investors than was provided in the Companies Act. In the view of those qualified to express an opinion, such societies were never intended for the promotion of large-scale enterprise such as these societies to-day represented. The tendency of modern legislation was to afford greater protection to those whose resources were least and on this ground alone it was reasonable to ask that property societies should be subject to provisions no less complete and onerous than were those which applied to companies registered under the Companies Act. In the interests of the investing public the desirability of strengthening the law regulating joint stock companies was due to be considered, and it was surely illogical that there should exist organisations which invited the public to invest money without even the safeguards which were now contained in the Companies Act and which experience had proved to be necessary. That was not the time or the place to consider in detail the changes which were desirable. The Departmental Committee appointed by the Board of Trade to inquire into fixed trusts deliberately went beyond its terms of reference by drawing attention, in its report, to the matters to which he had ventured to refer and it was to be hoped that the Government would soon introduce the legislation promised for dealing both with fixed trusts and with property societies. One further point on the matter was not inappropriate at the present time. A principal inducement for using the machinery provided by the Industrial and Provident Societies Acts lay in the fact

that, however large the share capital might be, the charge for registration was only £10, whereas an *ad valorem* duty of 10s. per cent. was payable on the authorised capital of a company registered under the Companies Act. The inequality and discrimination between trading concerns otherwise similar might well attract the attention of a Chancellor of the Exchequer in search of possible sources of revenue. He had ventured to deal with this subject because, as accountants, they were dependent upon the confidence of the investing public, but they could only function within the region prescribed by law, and it was desirable that the law should itself promote confidence. (Applause.)

MR. ALFRED SOUTHERN (Vice-President of the Manchester and District Society), who proposed the toast of "The Guests," paid tribute to the manner in which Mr. Holman was maintaining the great traditions of the Society and the profession, and to the amount of time he was giving to research on questions of great importance to the profession. Those who had the good fortune to be at the Incorporated Accountants' Conference last year would remember the dignity and courtesy with which he carried out the duties of his office on that occasion, as well as the social charm of Mrs. Holman.

The toast was acknowledged by Mr. Mouat Jones (Principal of the Municipal College of Technology, Manchester), who paid a tribute to the work of the Society in building up a fine professional standard and tradition among practising accountants.

AMERICAN INSTITUTE OF ACCOUNTANTS.

Record of Fiftieth Anniversary Celebrations.

A book containing the official account of the fiftieth anniversary celebrations of the American Institute of Accountants has now been issued. It is a comprehensive volume and is more than a mere statement of the anniversary proceedings. There has, in fact, been included much material not presented at the meeting but regarded as being necessary for the unfamiliar reader or the reader of some future time to understand and appreciate fully the significance of what occurred. The book extends to 524 pages and is beautifully produced with a number of illustrations.

FORTHCOMING EVENTS.

1938.

- | | | |
|-------|-------|---|
| April | 1st. | North Staffordshire District Society. Annual Dinner at Stoke-on-Trent. |
| | 6th. | Dublin Students' Society. At Dublin at 5.45 p.m. Annual General Meeting. |
| | 8th. | East Anglia District Society. Annual Dinner at the Royal Hotel, Norwich, at 7.15 p.m. |
| | | South of England District Society. Annual Dinner at Southampton. |
| | 13th. | Glasgow Students' Society. At Glasgow at 6.30 p.m. Lecture by Mr. Frederick D. Greenhill, C.A., on "Consolidated Accounts." |

Mr. E. Westby Nunn states that he is no longer Editor of "Examination Notes" and that he will not in future contribute to its pages.

INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE.

The Design of Accounts.

Continuing the series of suggested accounts for various business undertakings, we publish this month a design of Farm Accounts.

These accounts must not be regarded as model accounts, but as a basis for criticism. Comments and criticism will be welcomed, and should be addressed to the Secretary of the Research Committee at Incorporated Accountants' Hall.

The Committee is grateful for criticisms received on accounts already published and trusts that readers of the *Incorporated Accountants' Journal* will also send in their comments on the accounts printed below.

FARM ACCOUNTS.

It will be appreciated that Farms differ so widely in nature and size that any standard form of accounts is impossible. The following form may, however, be useful in cases where some degree of detail is required without the elaborations of a full Costing System.

PROFIT AND LOSS ACCOUNT.

TOTAL.	Live- stock. No.	Milk and Dairy Produce.	Crops.	TOTAL.	Live- stock. No.	Milk and Dairy Produce.	Crops.
I. STOCK AND VALUATIONS AT COMMENCEMENT :—				I. SALES (suitably sub-divided) ..			
(a) Livestock ..	—	—	—	II. TRANSFERS FROM CROPS TO LIVESTOCK, &c. per contra	—	—	—
(b) Feeding Stuffs, Fertilisers, &c. ..	—	—	—	III. MISCELLANEOUS RECEIPTS :—			
(c) Hay, Corn, &c. ..	—	—	—	Insurance Recoveries ..	—	—	—
(d) Cultivation ..	—	—	—	Hire of Implements, &c. ..	—	—	—
(e) Implements, Tools, &c. ..	—	—	—	Produce consumed by household ..	—	—	—
II. PURCHASES :—				Other Receipts ..	—	—	—
(a) Livestock ..	—	—	—	IV. GOVERNMENT SUBSIDIES			
(b) Feeding Stuffs, Fertilisers, &c. ..	—	—	—	V. STOCK AND VALUATIONS AT END :—			
(c) Implements, Tools, &c. ..	—	—	—	(a) Live-stock ..	—	—	—
(d) Carriage Inwards ..	—	—	—	(b) Feeding Stuffs, Fertilisers, &c. ..	—	—	—
III. WAGES (suitably sub-divided)				(c) Hay, Corn, &c. ..	—	—	—
State Insurance ..	—	—	—	(d) Cultivation ..	—	—	—
IV. MISCELLANEOUS EXPENSES :—				(e) Implements, Tools, &c. ..	—	—	—
Grazing ..	—	—	—				
Veterinary Surgeon and Medicine ..	—	—	—				
Blacksmith ..	—	—	—				
General Expenses ..	—	—	—				
V. TRANSFERS FROM CROPS TO LIVESTOCK, &c., per contra ..							
VI. BALANCE : GROSS PROFIT C/d. ..							

South Wales and Monmouthshire Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' South Wales and Monmouthshire District Society was held at Cardiff on March 11th. The President, Mr. C. T. STEPHENS, occupied the chair, and among those present were the Lord Mayor and the Lady Mayoress of Cardiff (Alderman O. Cuthbert Purnell, J.P., and Mrs. Purnell); Mr. Walter Holman (President, Society of Incorporated Accountants) and Mrs. Holman; the Lord Mayor of Dublin (Alderman Alfred Byrne); Mrs. C. T. Stephens; Judge L. C. Thomas; Sir George Gillett (Commissioner for the Special Areas, England and Wales); the Mayor of Newport (Alderman Mrs. H. J. Hart, J.P.); Capt. J. Elliot Seager, D.L., J.P. (High Sheriff of Glamorgan); the Mayor of Merthyr (Councillor J. Davies); Mr. John Rowland, C.B., M.V.O. (Chairman, Welsh Board of Health); Sir Thomas Allen, J.P.; Mr. Stanley Evans, M.A., J.P. (Stipendiary Magistrate of Pontypridd); Mr. R. Wilson Bartlett, J.P. (Past-President, Society of Incorporated Accountants) and Mrs. R. Wilson Bartlett; Mr. Norman J. McNeil (President, Cardiff Chamber of Commerce); Sir Illtyd Thomas, J.P.; Mr. George Williams (Chairman, National Industrial Development Council of Wales and Monmouthshire); Mr. F. A. Webber, O.B.E., J.P. (President, West of England District Society), and Mrs. Webber; Mrs. George Williams; Mr. W. H. Ashmole, M.B.E., J.P. (President, Swansea and South-West Wales District Society); Mr. E. Charles Jones (President, Incorporated Law Society of Monmouthshire, and Registrar, Tredegar County Court); Mr. W. T. Gould (Chairman, Shipping Federation, Cardiff District); Mr. L. H. Allan Pratt, LL.B. (President, Incorporated Law Society of Cardiff and District); Mr. Evan L. Roberts (President, Cardiff Chamber of Trade); Col. S. T. Evans (President, South Wales and Monmouthshire Society of Chartered Accountants); Mr. Horace S. Lync, M.B.E.; Mr. Llewellyn Francis (Registrar, Cardiff County Court); Mr. F. H. Dauncey (Registrar, Newport County Court); and Mr. Percy H. Walker (Honorary Secretary of the District Society) and Mrs. Walker.

SIR GEORGE GILLETT (Commissioner for the Special Areas, England and Wales), proposing "The Society of Incorporated Accountants and Auditors," said he understood that the membership of the Society was about 7,000 and the standard of examination was so high that out of 296 candidates who sat for the Final examination last November, only 139 were successful. Last year Mr. Wilson Bartlett, of Newport, was President of the Society. Important work had been done by Mr. F. J. Alban on behalf of the Special Areas Reconstruction Association, and by the two Incorporated Accountants on the National Industrial Development Council of Wales and Monmouthshire, Mr. John Allcock and Mr. Percy Walker. On the previous day a factory had been opened in connection with the Dowlais Trading Estate, and when he looked over the site he could not help thinking what a wonderful transformation had taken place compared with fifteen months ago. Nothing was so gloomy as the outlook at Merthyr at that time. There had been in Merthyr 90 acres which was derelict and waste and useless. Scattered about in the special areas they saw this wreckage of an industrial system that had had its day and had passed away, and that brought to mind other ruins and other problems created by the removal of industry. In the near future the whole problem of the location of industry would have to be faced. It was a problem

that could not be left simply to the happy-go-lucky system of industries choosing where to go. They would have to consider the effect it had on the municipalities themselves. In Glamorgan there was a decrease of 77,000 people, and yet the burden of the poverty of the community was thrown upon the local authority to the extent of £140,000. Thus they had the population leaving and the burden still there, and weighing heavier and heavier. These problems would all have to be faced, and one of them would be the whole question of the municipal government of this country. The municipal government of London was a perfect example of chaos, and when he went to Newcastle he found it was the same there. Everything was growing larger, and all problems were bigger than 50 years ago. If they wanted to cover an area with traffic or electricity, for example, they wanted a much bigger area than the small municipalities had today. It was one of the biggest things in the life of this country that so many men were giving their time and ability in the service of the community. It was only by the service of the individual that their municipalities could be saved, and the Society of Incorporated Accountants was playing a big part in that way.

MR. WALTER HOLMAN (President of the Society of Incorporated Accountants), in responding, said he desired at once to thank Sir George Gillett on behalf of the Society and all the members there for the generous words he had used in proposing the Society's toast. The work to which Sir George had put his hand commanded the sympathy of them all and they took it as a great compliment that he should have spared the time to be with them that evening and a great service that he should have proposed their toast. Mr. Holman was glad to be able to report favourably on the Society's health. The Society functioned through the District and Students' Societies and at that time of the year their activities were feverish: lectures, discussions, luncheons and dinners were being held in all parts of the country and if it were the President's duty to attend the lectures instead of the dinners he would stand a chance of being both a wiser and healthier man. In no District Society was the activity more productive than in South Wales and Monmouthshire. The record of examination candidates from that part of the country, in honours as well as in passes, compared very favourably with that of other parts, and he attributed that partly to the initiative and enthusiasm of those who had carried on the work of the District Society and partly to that Celtic genius whose periodical eruptions occasionally overflowed the border and percolated even into Monmouthshire. The District Society was forty-four years old, having been founded in 1894, and they might be as surprised as he was to learn that Percy Walker had not been connected with it for the whole time. He said that because Percy Walker had represented Wales for as long as some of them could remember, and it was proof of the large-mindedness and tolerance of Welsh accountants that they should have been content to allow themselves to be represented by an Englishman whose long and devoted services, not only to that District Society but to the whole Society, had received some recognition in his election as one of the Society's auditors. In thanking him on behalf of Headquarters for the efficiency with which the Society's work had been maintained, he included all the officers and members of the Committee past and present who had shared in the work, and if he might he would like to refer to Mr. Alban who was at one time Secretary in South Wales and was now a valued member of the Council of the Parent Society. Continuing, Mr. Holman said this was his first visit to South Wales as President of the Society and he would be lacking in courtesy as well as in gratitude if he did not refer to the

great services rendered to the Society by his predecessor, Mr. Wilson Bartlett. The conspicuous ability with which he discharged the public duties of a particularly strenuous and important period of office had been recognised and acknowledged by the members generally, but few knew how completely he devoted time and thought and effort to the welfare of the Society. Mr. Holman had particular reason for gratitude because Mr. Wilson Bartlett's consideration lightened his duties while he was Vice-President and Mr. Wilson Bartlett's policy in regard to the reorganisation had not only assisted Mr. Holman since he had succeeded to the office of President but, he believed, had made a valuable and permanent contribution to the Society. He had referred to the Society's past and present activities, and it only remained for him to remind the members there of the refresher course which this year was to be held at New College, Oxford, in July. There was no need in that audience for him to stress the value of those courses to the younger members of the Society, and he need do no more than say that the arrangements which were now completed held out the promise that the course would be no less enjoyable than its predecessors to those who attended and no less valuable to the Society itself. He hoped he would not be considered a pessimist if he expressed the wish that he could speak as hopefully of national affairs as he could of the Society. The publication of the estimates for the next financial year disclosed an expenditure on all services of a thousand million pounds, and the increase was accompanied by expansion in the expenditure of local authorities indicated by rises in the rates in many districts. It was not difficult to find an adequate reason for all the items which showed an increase and it was extremely difficult to point to any one item as being excessive, but the growth of their public overhead charges might well cause grave concern. They all knew from experience how fatally easy it was for expenditure to be increased and how difficult it was to cut down, and they all knew the results which were inevitable if income failed to expand sufficiently to meet increased expenditure. There seemed to him to be a tendency to regard a capacity to spend as the test of successful administration, and that way lay disaster. In those circumstances he thought the accountancy profession had a distinctive contribution to make. The principles of national and municipal finance were not essentially different from those which applied to commerce, and a due regard to income and economy were more essential to-day than ever. Mr. Holman said he knew the profession in the South Wales and Monmouthshire district had contributed much towards the solution of the difficult problems with which they were faced, and he was certain that he could assure Sir George Gillett that whatever assistance he required in the execution of his great tasks would be gladly rendered by the members of the Society. (Applause.)

Mr. Holman then presented Mr. Arthur Ernest Gilbert with the Second Place Certificate awarded to him in connection with the Society's Intermediate examination held in November, 1937.

Mr. ARTHUR B. WATTS (Vice-President of the District Society) proposed the toast "Trade, Commerce and Industry." He said that in view of the industrial fluctuations of the past they should be careful of too much optimism.

The LORD MAYOR OF CARDIFF (Alderman O. C. Purnell, J.P.), responding, said that Cardiff was looking forward to great advantage from the fact that industry was coming to the surrounding districts of South Wales. Cardiff was a magnet which would draw the people. It was, and

would remain, the industrial centre for all industry in their part of the country.

The HIGH SHERIFF OF GLAMORGAN (Capt. J. Elliot Seager, D.L., J.P.), who also responded, hoped that no one would fall asleep while he was speaking. The great French playwright and novelist, Dumas, upon one occasion found a man asleep in the Theatre Francais during the performance of a play by his friend Soumet. "You see that?" said he. "That's your work." Next evening a Dumas comedy was played. The two friends looked in again and found a sleeper. "You see, dear Dumas," said Soumet, "your works can produce sleep." "Do you refer to that man?" replied Dumas. "Why, that's the man who was there last night—he's not awake yet!" There were many signs of an improvement in trade, commerce and industry in South Wales. The traffic returns for 1937 proved very satisfactory, for they showed that the South Wales docks handled more traffic than in any year since 1931. Compared with 1936 there was a gain of over 4,500,000 tons in aggregate exports and imports. Records were established both in iron ore and timber imports.

Mr. C. T. STEPHENS (President of the District Society) proposed the toast of "The Guests," and welcomed representatives of the Society from Bristol and West Wales, and also the Mayor of Newport (Mrs. H. J. Hart, J.P.) and the Mayor of Merthyr (Councillor J. Davies). Presidents came and went, but Mr. Percy Walker went on for ever, and he thanked him sincerely for his assistance during his term of office. He coupled the toast with the names of Judge L. C. Thomas and Sir Thomas Allen. The work and life of Sir Thomas Allen was an inspiration to everybody.

Responses were made by Sir Thomas Allen and Judge L. C. Thomas.

Sir THOMAS ALLEN said they all rejoiced with Mr. Stephens as the President of the District Society. The most tragic thing for them in South Wales was the export in human freightage, and they would thank him and the Government if that was checked.

The LORD MAYOR OF DUBLIN made a short speech and said there were bright hopes of greater trade reciprocity between South Wales and Ireland.

CHARTERED INSTITUTE OF SECRETARIES.

COUNTRY CONFERENCE.

The Country Conference of the Chartered Institute of Secretaries will be held in Edinburgh on May 19th and 20th. The headquarters of the Conference will be at the Caledonian Hotel, Edinburgh. The particular attraction of Scotland this year is the Empire Exhibition, which opens in Glasgow on May 3rd. An excursion to the Exhibition will take place on the first day of the Conference, and luncheon will be served in the Exhibition buildings. The Conference dinner will be held at the Caledonian Hotel, Edinburgh, when the guests will include leading citizens in municipal, professional and business life.

Mr. H. T. Millman, F.S.A.A., has been unanimously elected President of the Leicester Textile Society, with which he has been connected since its foundation. Mr. Millman is the immediate Past President of the Incorporated Accountants' District Society of Leicester, having held office from 1933 to 1937. He is the senior partner of Messrs. Thomas May & Co., Incorporated Accountants.

Society of Incorporated Accountants and Auditors.

South African (Northern) Branch, Johannesburg.

Annual Report.

The Committee has pleasure in presenting to members of this Branch its annual report for the year ended December 31st, 1937.

MEMBERSHIP.

The Committee regrets to record having received notification of the deaths of five members: Mr. E. C. Baxter, Bulawayo; Mr. D. P. C. Blair, Johannesburg; Mr. J. B. Hine, Johannesburg; Mr. F. Raleigh, Johannesburg; Mr. S. W. Croxford, Salisbury. The death of Mr. D. P. C. Blair, the late Secretary of the Branch, was a cause of deep regret to the members of the Committee and to all who were associated with him throughout his long and faithful service as Secretary of this Branch, which extended over a period of more than 25 years.

The membership of the Branch at the end of 1937 totalled 228, including 55 Fellows and 173 Associates. The total on December 31st, 1936, was 208, of whom 58 were Fellows and 150 Associates.

EXAMINATIONS.

The usual half-yearly examinations were held in May and November. The following are comparative figures showing the results:—

	Sat	Passed	%	Failed	%
May (Intermediate)	3	2	66.6	1	33.4
" (Final)	23	8	34.8	15	65.2
Nov. (Intermediate)	1	1	100.0	—	—
" (Final)	24	7	29.2	17	70.8
	51	18	35.3	33	64.7

Mr. J. S. D. Dey was awarded a First Certificate of Merit (bracketed with one other candidate) and also gained a prize.

In connection with these figures it must be mentioned that no adjustment has been made in respect of candidates at each examination who have failed on a previous occasion and have made a further attempt to pass.

ARTICLED CLERKS.

The number of Articled Clerks registered during the year was 24. The total number of articled clerks serving under articles at December 31st, 1937, was 109.

UNION REGISTRATION OF ACCOUNTANTS.

The Committee is keeping in close touch with the position as regards the proposed Act to provide for the registration of Accountants in the Union and every effort will be made to protect the interests of our members and articled clerks.

The Committee, however, strongly urges all Incorporated Accountants in the Transvaal, who have not already done so, to apply for admission to the Transvaal Society of Accountants. A similar recommendation is also issued to clerks who have completed their period of service and passed the Society's Final examination but have not yet made application for admission as Associate members of the Incorporated Society.

COMPANIES ACT AMENDMENT BILL.

This Bill has not been proceeded with but will probably be re-introduced by the Government later on. In this event any proposed legislation affecting the interests of our members will receive the careful attention of the Committee.

COMMITTEE.

During the year, Dr. A. Aiken and Mr. F. C. McConnell resigned from the Committee. Both gentlemen have rendered outstanding service to the Society during their periods of office. Dr. Aiken was an original member of the Committee and has maintained his interest in the Society throughout his professional career, and members will be glad to know that he has consented to continue to assist the Committee in an advisory capacity.

The thanks of members are due to these gentlemen on their retirement.

Mr. A. S. Aiken, Mr. R. B. Pearse and Mr. K. L. Smith were invited to fill the existing vacancies in the Committee and duly accepted office.

Under the bye-laws of this Branch all members of the Committee retire annually and are deemed to be nominated for re-election.

AUDITOR.

The retiring auditor is Mr. A. B. Ryan, who, being eligible, offers himself for re-election.

ANNUAL MEETING.

The foregoing report was presented to the members of the South African Northern Branch at the annual meeting of the Branch held in Johannesburg on February 22nd, at which Mr. James Stewart, the Chairman, presided.

Mr. Stewart referred to the regretted death of Mr. D. P. C. Blair, who had been the Secretary of the Branch for 37 years, and said how much they all missed him. He knew the members would endorse the action of the Committee in appointing Mr. R. B. Hogg, F.S.A.A., as Secretary. Mr. Hogg had produced on that occasion a particularly informative annual report.

The Chairman offered his congratulations to Mr. J. S. D. Dey, who was awarded a First Certificate of Merit in the Final examination (bracketed with another candidate) and the First Prize of £15 15s. The number of candidates at the Final examination was over 300. The small number of South African candidates for the Intermediate examination was accounted for by the fact that articled clerks now took the examinations of the South African General Examining Board before presenting themselves for the Society's Final examination.

The Advisory Council of the Society of Incorporated Accountants in South Africa, consisting of the Chairman and Secretary of each of the three Branches, met in Durban in the first week of February. The Advisory Council considered the affairs of the Society in South Africa and no difficulty was experienced in arriving at unanimous conclusions on all the points discussed. Among the subjects was the proposed legislation regarding the profession in South Africa.

They were proud to belong to a Society with a membership of over 7,000 throughout Britain and the British Dominions and Colonies, including over 400 in South Africa. The Council of the Society in London was constantly in touch with all the Branches.

Mr. Stewart recorded the thanks of the Branch to Mr. Garrett and the South African Committee of the Society in London for assistance with regard to organisation and

in connection with the proposed legislation, especially since the death of Mr. Blair in August. He also thanked his colleagues on the Committee of the Branch for the splendid manner in which they had supported him in a strenuous year of office.

The expenditure of the Branch during 1937 was just on £300, while the income was practically an equal amount. Steps had been taken with a view to the Branch retaining a larger proportion of the entrance fees and annual subscriptions paid by members.

Mr. V. L. Andersson (Vice-Chairman) seconded the adoption of the report and accounts, which was carried unanimously.

The retiring members of the Committee were declared re-elected, as no other nominations had been received.

Mr. A. B. Ryan, F.S.A.A., was re-elected auditor of the Branch, and the meeting concluded with a vote of thanks to the Chairman.

Changes and Remobals.

Mr. G. A. Armonson, Incorporated Accountant, has removed his offices to 200-202, High Street, Lewisham, London, S.E.13.

Mr. K. Gutgutia, B.Com., Incorporated Accountant, has commenced public practice at 1b, Old Post Office Street, Calcutta, under the style of K. N. Gutgutia & Co.

Mr. D. Harold Jeboult, Incorporated Accountant, formerly practising on his own account at Idol Lane, Eastcheap, London, E.C.3, has entered into partnership with Messrs. Hatfield, Dixon & Co., 37, Walbrook, London, E.C.4.

Messrs. Percy Mason & Co., Chartered Accountants, announce a change of address to National House, 14, Moorgate, London, E.C.2.

Mr. R. A. Plant, Incorporated Accountant, has removed his offices to 17, Coton Road, Nuneaton.

Mr. Percy H. Walker, Incorporated Accountant, has admitted into partnership as from March 31st, 1938, Mr. John David Simpson, Incorporated Accountant, and Mr. Harold Chatterton Hopkin, Incorporated Accountant, both of whom have been associated with him for many years. The firm will practise at 4, Park Place, Cardiff, and the Arcade, Cowes, Isle of Wight, under the firm name of Percy Walker, Simpson & Co.

YORKSHIRE DISTRICT SOCIETY.

New Headquarters.

The Incorporated Accountants' District Society of Yorkshire have taken a large room at Greek Street Chambers, Leeds, where the Library has been installed, and members are requested to make use of the room for reference to books and as a reading room.

The room is over Lloyds Bank, Park Row, Leeds, and is very central. It is intended to use the room for some of the lectures next session, and also for other meetings in connection with the District Society.

The Hon. Secretary has offices adjoining, and will continue to act as Hon. Librarian, and give assistance to members.

Reviews.

Complete Practical Income Tax. 9th Edition. By A. G. McBain, C.A. London: Gee & Co. (Publishers), Ltd., 6, Kirby Street, E.C.1. (336 pp. Price 7s. 6d. net.)

This edition covers the law and practice of income tax, inclusive of the provisions of the Finance Act, 1937, and deals also with National Defence Contribution. Apart from the more simple Income tax problems chapters are devoted to loss claims, wear and tear, and obsolescence, residence and back duty computations. The text is illustrated by numerous examples which add materially to its value.

Balance Sheets Explained, Analysed and Classified. By H. Kaner, A.S.A.A. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway. (188 pp. Price 7s. 6d. net.)

What the author has set himself to do is to explain to the ordinary investor the significance of the items comprised in a balance sheet. The book is intended for those who are not conversant with book-keeping and accounts. Particular types of balance sheets are discussed relating to different trades and industries, and instruction is given as to how to interpret the meaning of the terms and ascertain the true financial position of a business.

The Technique and Principles of Auditing. By Andrew Binnie, F.C.A., and Brian Manning, F.C.A. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (352 pp. Price 15s. net.)

This book is based upon "Pixley's Auditing" and "Binnie's Audit Programme and Procedure," but is amplified in various respects so that it covers a wider range. The duties and responsibilities of auditors are considered from every point of view and extracts are given from the leading decisions on the subject. Separate chapters are devoted to the verifying of investments, capital and income, profits available for distribution, reserves and sinking funds, investigations, fraud in accounts and the accounts of executors and trustees.

The Indian Companies Act, 1913-1936. By N. K. Majumder and R. N. Majumder. Calcutta: Kar, Majumder & Co., Ltd., Lansdowne Road Extension, and M. C. Sarkar & Sons, Ltd., 15, College Square. (538 pp. Price 5 Rupees.)

The Indian Companies Act, 1913, is still the basis of Indian company law, but the Act has been amended from time to time. The Act, as modified up to 1932, is treated as the old Act, and the Act with further extensive amendments made in 1936 constitutes the new Act. These two are printed on pages left and right facing each other to facilitate comparison and the new Act is supplemented by explanatory notes under many of the sections. There is thus presented a clear view of the alterations made by the amending Act of 1936. The 1913 Act contains as many as 277 sections with several schedules, hence the size of the book. One of the authors is the Registrar of Joint Stock Companies in Bengal, who should be well qualified to deal with the subject.

Primer of Costing. 2nd Edition. By R. J. H. Ryall, F.C.R.A. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2. (198 pp. Price 5s. net.)

The author's objective is to enable the beginner to acquire a clear understanding of the elementary principles of costing and to give descriptions of the various methods used in practice. These principles and methods are subsequently enlarged upon in order to show their application. Numerous forms and rulings are interspersed throughout the text, supplemented at a later stage by

specimen cost control entries. The final chapters deal with process costing and a number of test questions are added.

Pensions: You and Your Family. By Walter Hazell, Barrister-at-Law. London: Jordan & Sons, Ltd., Chancery Lane, W.C.2. (46 pp. Price 1s. net.)

The subject of this little book is the Contributory Pensions (Voluntary Contributors) Act, 1937, which came into force on January 3rd last. The Act provides a valuable opportunity for new classes of persons to insure, not only for old-age pensions, but for widows' pensions and children's allowances. The operation of the scheme is fully explained in this little book. As the title of the Act indicates, the scheme is entirely voluntary. It is estimated that about two million men and women not eligible under the former State Pensions regulations will come within the provisions of this new Act, which is open to men with incomes up to £400 and to women with incomes up to £250, subject to certain limitations.

QUESTIONS IN PARLIAMENT.

Air-raid Precautions and Income Tax.

On March 18th, 1938, Mr. SIMMONDS asked the Chancellor of the Exchequer whether he can now make any statement regarding income tax allowances in connection with expenditure upon air-raid precautions schemes?

SIR J. SIMON: The question of the extent to which expenditure on air-raid precautions may be admissible as a deduction in computing trading profits for income tax purposes is primarily one for the respective bodies of Income Tax Commissioners, to be determined in accordance with the provisions of the Income Tax Acts. So far as the Board of Inland Revenue are concerned, the treatment which, in their view, would be appropriate to the various classes of expenditure which a trader might incur is indicated below. It will be appreciated that it is not possible on such a subject-matter to give more than general outlines: the particular application will depend upon the particular facts of different cases.

1. Expenditure on such items as the following would be deductible:—

- (a) Civilian duty and service respirators;
- (b) Protective clothing for staff engaged on air-raid precautionary duties;
- (c) The training of employees in such duties;
- (d) Covering of glass with wire netting;
- (e) Dark blinds, screens and paint to render windows opaque;
- (f) Equipment and stores for first aid parties;
- (g) Equipment of decontamination squads.

2. A wear and tear allowance would be due in respect of equipment in the nature of plant and machinery, such as fire appliances and air filtration plant.

3. No deduction would be allowable in respect of expenditure of a capital nature, for example, expenditure which results in the physical alteration of, or in the incorporation of additions to, the structure of the trading premises. The Board, however, would not be disposed to regard as within this category expenditure on items such as steel shutters for protection of windows or timber frames and screens to provide air locks at doors or windows, which are not part of the permanent structure but represent fixtures or fittings required and used only for the emergency, and they would not object if the Commissioners allowed deduction of such expenditure.

The Ethics of Accountancy.

A LECTURE delivered before the Incorporated Accountants' London and District Society by

SIR HAROLD BELLMAN, M.B.E.

The chair was occupied by Mr. ARTHUR COLLINS, F.S.A.A.

The CHAIRMAN, in introducing the Lecturer, said it was the intention of the Committee of the London and District Society from time to time to invite gentlemen eminent in their respective professions or callings to address the members on matters of common interest from outside the profession. They often had lecturers who directed their attention to many technical phases of their work, all from the inside. It was, so to speak, a "shop" subject which they frequently had before them for discussion, but the Committee on that occasion had decided that they would invite Sir Harold Bellman to address the members on the ethics of their profession from the standpoint of one who dwelt outside it. They were exceedingly fortunate in having Sir Harold Bellman with them. It was just as well that, as Robbie Burns had said, they should sometimes see themselves as others saw them. It was true that the outside view was not always pleasant, although it might be salutary. He called upon Sir Harold Bellman to deliver his address.

SIR HAROLD BELLMAN said: I accepted your Committee's very cordial invitation to address you this evening, Mr. Collins, the more so because I knew I should find myself in the very fortunate position of being under your chairmanship, and it is to me, at any rate, some relief to find our customary roles reversed.

Accountancy is recognised as one of the distinctive professions in present-day society. Although it has not the advantage of the historical background of such professions as the Church, the Law, and Medicine, it has in a relatively short period of time acquired a prestige which is little, if at all, inferior to that of these older professions. This is at once a tribute to the personal qualities of its practitioners and the importance of the services which they are called upon to perform.

The enhancement of the professional status of the accountant is bound up with the economic evolution of the country during the past three-quarters of a century, and especially since the War. It is, to you at any rate, a familiar theme, and I will not inflict a twice-told tale upon you. There are, however, two broad aspects which, for my present purpose, I would like to emphasise.

First, this is pre-eminently the age of great aggregations of capital and interlocking finance, while simultaneously there has emerged a large body of small investors. Samuel Smiles and those who practised his art (if this pretension can be excused) often pictured the earlier industrialist and business man as the greater hero because he kept his accounts in a penny note-book! The present-day accountant can certainly achieve miracles of compression, as many published balance sheets testify, but it is difficult to believe that this very modest provision of paper and accountancy skill would be equal to the needs of such giant contemporary undertakings as the London, Midland and Scottish Railway Company, the Midland Bank, and Imperial Chemical Industries—to indicate only one or two at random.

Secondly, during recent years there has been a remarkable development in the establishment of quasi-official bodies, such as the London Passenger Transport Board, the Central Electricity Board, and especially the various Marketing Boards. We have not yet, I think, attempted

to work out any settled system of philosophy regarding these developments, which gives point to the belief of a Continental diplomatist that the English are the most revolutionary nation in the world—only that they never notice that the revolutions are taking place! All this is simply another way of saying that a changed—and still changing—situation has brought changed—and here too still changing—relationships.

There are a variety of aspects of the developments which I have summarised under the two broad headings, but there is one which especially concerns the accountant. Put shortly, the emphasis here is on the accountant's fiduciary relationship to the public, whether as investors in a particular undertaking, as consumers of a given commodity, or as ordinary citizens with rights and duties in relationship to the body politic. The use of the word "fiduciary" in this wide sense, without qualification, may surprise you. You may feel an itch to reach for Dicksee's "Auditing," to quote this and that section of the Companies Act and to point to the italicized passages in that formidable array of judgments with which it concludes. This would be a very natural reaction if I were a practising accountant addressing you on a technical problem of every-day practice. As you are well aware, however, I am not an accountant; and the word "ethics" appears in the title of my address. Thus I am entitled to a measure of (shall I say?) detachment. And in any event the tone of "Dicksee," since the *Royal Mail* case, has moved preceptibly (if not the whole way) towards the standpoint from which I am speaking.

It is not rash to claim, I think, that this is a wholesome development; and I am still speaking with the minimum requirements of legislation in mind. The facts of the existing position, and still more current trends, lend weight to this aspect of accountancy. For we should appreciate that vast tracts of our economic system are in a process of transition; there is movement, but rarely any clearly conceived and predetermined goal. Capitalism itself is caught up in this evolutionary process. We all—or at any rate most of us—recognise the unsuitability of nineteenth century conceptions of capitalism to present day needs, but there is much less agreement regarding precisely what changes are desirable. This is a situation which is not without its dangers and conceivably the accountant, occupying the central position in the business world which he does and with such qualities of balance and realism as he has, could in effect act as a safeguard, or rather help the ordinary citizen to safeguard himself, against any rash and ill-considered experiments. As I hope I shall make clear, however, this and other public responsibilities cannot be discharged without forethought and deliberate preparation.

In a world of such dynamic elements—with some elements perhaps potentially dangerous—the accountant must, does, and should look beyond the minimum requirements of legislation. The emphasis in this reference is, needless to say, on the word "should." For legislation in such matters frequently lags behind current opinion; and this in turn is partly due to the difficulties inherent in the subject-matter, for there is a belief that there are limits to which legislation can go in saving an investing fool from his folly and the indiscriminating consumer from his bad bargains. There are three broad considerations which have, as it seems to me, a bearing on the accountant's attitude towards his social responsibilities.

ACCOUNTANCY AS A TECHNIQUE.

In the first place, it is useful to consider accountancy as a technique. Accountancy, no less than nature, seems to abhor a vacuum; it is essentially related to the back-

ground of the time which it serves. If this were not so, we should possibly still be seeing certificates like that issued in the Middle West of America in its spacious days which, having recited the details of an exhaustive audit, was signed, "John Smith, his mark." Thus there has been a constant interdependence between accountancy technique and business progress. Throughout history the one has consistently reacted on the other. During the past 50 years in particular accountancy has been called upon to adapt itself to a business structure developing in magnitude and complexity. Moreover, the needs of Government, whether through the instrument of taxation or through its concern with public utilities, have been a spur, if not to revolutionary methods, at any rate to accurate accounting procedure; and it has familiarised public opinion with a method of State supervision through the medium of statutory accounts. "Accounting," as an American writer has well put it, "is an instrument of public policy and of private management; it is adaptable to any purpose and any condition. It is not a set of fixed rules or unbending principles to be followed without regard to public or business objectives." Clearly the moral of this is that accountancy is not a technique of which it can be said: "Thus far and no farther." It is an instrument capable of far-reaching adaption to a changing environment: in a word, precisely the sort of instrument that is required by the times.

ACCOUNTANCY AS A PROFESSION.

In the second place, it is well to consider accountancy as a profession. A technique may mean one thing and a profession another; the pertinent question, therefore, is, how are they related in the world of accountancy? During the past 100 years there has been a gradual extension of professionalism outwards and accountants have played a notable part in this movement. Professionalism need not be defined to be identifiable, and obviously accountants constitute a profession, although less closely organised than, say, the Law or Medicine. If the profession has not been delimited by Parliament, it has strong societies and institutes and an established code of professional etiquette. Moreover, it has, I think, the important quality of group consciousness, which is a necessary condition of professional status.

One of the major objects of organisation on a professional basis, from the public point of view, is to ensure that the practitioners in a particular profession shall be reasonably expert. Your more important societies and institutes discharge this responsibility with on the whole admirable results. This has been sufficiently recognised by Parliament and various Governments, in the appointment of accountants either as members of Royal Commissions, Departmental Committees and the like, or in direct advisory or executive positions. In this connection the accountant brings himself into contact with one of the outstanding problems of the day. For, as Professor A. M. Carr-Saunders and Mr. P. A. Wilson have pointed out: "The entrance of professional associations into questions of public policy, whether on their own initiative or by invitation of the Government, is one of the most hopeful means of bringing the expert into the service of democracy—perhaps the most important problem in the realm of political organisation to-day."

Professionalism, however, assumes other conditions besides competency. The most vital of these is undoubtedly a consciousness of social responsibilities. In the normal course professional organisation confers rights, though possibly accountants are less well served in this respect than some other professions; and rights involve duties. One of the dangers which besets the professional mind, according to Lord Macmillan, a shrewd and

experienced observer, is that it sometimes prefers the interests of the craft to those of the community. He has said indeed, with reference to professional meetings, that "there is more lip-service nowadays to lofty social motives, but the pursuit of selfish aims under the guise of public good is not an uncommon phenomenon." I should be the last to say that this was true of accountancy, but it points a danger which lies in wait for all professionally organised. It provides a touchstone by which to test fresh developments or, for that matter, the absence of development; since dereliction of duty can arise as much from inactivity as from misguided activity. This line of thought clearly recalls a word which appears in my title—namely, ethics. The accountant himself acknowledges that there are ethical values which transcend professionalism. In the workaday world, however, it is the question of degree which matters. For centuries the Church was the chief critic of business methods, the grand ethical censor, as it were. Since the Church largely abandoned this role, there has been no effective centralised substitute. As a result, business ethics as a whole are still in the formative stage; indeed, it is not so long ago that the words "business" and "ethics" were considered a contradiction in terms. None the less, it is now possible to discern a groping towards a condition of business which has a broad ethical justification. This consideration, for instance, colours a good deal of current discussion regarding advertising, and especially financial advertising; again, the fields of house-building and retail trade have recently furnished examples of organised effort to ensure the purchaser reasonable value. In all such developments it may be argued that the accountant occupies a special position—possibly even a special position of responsibility. It was doubtless the recognition of this fact which prompted the Next Five Years Group, in their recent "Essay in Political Agreement," to devote special attention to accountancy and led them to suggest that accountants should be employed by, and remunerated by, a professional institute of their own under which the company would pay its audit fees not to the individual accountant but to the institute. Such a drastic change in the accountant's status would at any rate place him in a position of central independence. You may or may not agree with this specific contentious proposal, but the trend of thought which it betokens may, I think, be regarded as significant. Thus the emphasis to-day, so far as the accountant is concerned, is on the wider rather than on the narrower, ethical obligations. And the emphasis is such in many discussions that the accountant's precise position in the business structure is regarded as subordinate to his wider responsibilities—an attitude which has far-reaching implications in regard to the future of the accountant.

Clearly this must be worked out in the field of practice—which is a reminder of the third heading that forms the final link in the chain of my argument. For we have seen proof of a technique adaptable to all reasonable needs; and a professional organisation (less unified perhaps than in some other professions) which is apparently adequate for all practical purposes. Thus it remains to glance at some of the larger obligations of this technique, working through existing professional organisations, in terms of every-day practice *under present conditions*. I have deliberately emphasised the last three words, for needs and opinions of what is practicable change rapidly nowadays. It would, for instance, be as misleading to quote in relation to to-day's requirements opinions as to the best practice expressed half-a-dozen years ago as to rely upon the first Companies Act as an epitome of legislative wisdom in regard to joint stock companies.

THE ACCOUNTANT AS AUDITOR.

The accountant, at least in his capacity as auditor, is in close contact with a vast range of enterprise—including banks, insurance companies, railway companies and other public utilities, unit trusts, and a multitude of industrial and commercial undertakings, which have a value as expressed by their Stock Exchange quotations that dazzles the imagination. Under this régime of company giants capital tends to become more and more "impersonal," with shareholders' "control"—if the word is not absurd on the face of it—less and less effective, or at any rate increasingly difficult. In practice, however, the auditor is regarded as some sort of link between the company and the investor—an investor who, as a representative type, has changed much during the past two decades. The published analyses of company shareholding are sufficient testimony to the reality of the small investor. His emergence during recent years—and the process is by no means at an end—is one of the most significant phenomena in the realm of investment. All programmes and policies must take account of this factor and indeed their success must be chiefly judged according to their reaction to it. If *caveat emptor* is questioned in the retail field, it is definitely suspect where investment matters are concerned, for there is increasing recognition that the small investor is an unchallengeable argument against a policy of "do-nothing." This particularly concerns the accountant in so far as he is a link between the company and the shareholder.

Link, perhaps, is an indefinite word and possibly finds no sanction in, say, Dicksee's "Auditing." Yet, used in its every-day sense, it serves my purpose to emphasise the relationship which public opinion considers should be implicit in the auditor's function. It may be objected, with a not unnatural conservatism, that even when the auditor has done his best as a fearless watchdog and used his influence to secure the publication of the fullest and most lucid accounts, the small investor is not in a favourable position to appreciate all their advantages; but to take this view is to overlook the more expert interpretative skill now exercised among financial journalists and the larger stockbroking firms as compared with a few years ago. Thus if the small investor is not served at first hand he is served at second-hand, and it is the fact of his being served that matters. Moreover, public opinion—by which I mean the views of the general body of citizens—has almost as much right to be respected as the actual shareholders—a point that is not always given the weight it deserves. For corporate enterprise nowadays reacts on public policy at many points; taxation, retail prices, labour conditions and not least the volume of company savings. Under present conditions the joint stock companies contribute, by way of undistributed profits, approximately one-quarter to one-third of the annual national savings and this sizeable proportion gives the matter a special importance, especially as the very rich are apparently no longer a fountainhead of thrift.

And these instances are far from an exhaustive catalogue of the accountant's contacts with business which has an external as well as an internal importance. Moreover, in some cases his influence is more active (or should I say less passive?) than in others; he is definitely a constructive force. This frequently applies to the increasing extent to which the accountant is appointed to high executive position; and also in amalgamations, reconstructions, liquidations and so forth. Furthermore, the accountant, either as a member of the Board, with consequent influence on policy, or as an executive officer by no means without influence, is often associated with the Marketing Boards which now have a bearing on a con-

siderable volume of business. Here the interests of producer, retailer and consumer converge and the accountant has unique opportunities not only in a judicial capacity, helping to safeguard the rights of each party, but also as a constructive agency promoting efficiency in technique. To the extent to which the accountant can be influential in these directions he has exceptional opportunities for rendering real public service.

All this may seem somewhat remote from the atmosphere of the standard text-books relating to accountancy. Indeed, the layman, glancing through them with more or less intelligence, finds the air a little chilling from the standpoint from which I have been speaking.

STANDARDS OF EVERYDAY PRACTICE.

And the standards of every-day practice are, in some degree, also rather isolated from this standpoint. Did not one of your fellow-craftsmen, the late Sir Mark Webster Jenkinson, say only a few years ago that "backers of horses have better information available than speculators in shares"? I am not so much concerned about the difficulties of speculators, but clearly others with a more serious interest are handicapped. It was left, however, to a business man to give one of the major creations of your science, the modern balance sheet, the "debunking" of its life. I tremble to utter his name in this company and it is only his courage which nerves me to the effort. By now the name of Mr. Arthur Chamberlain, of Birmingham, has doubtless crossed your mind; and you are quite correct in your surmise. I need not recite that formidable indictment in detail, but I would like to recall these few words: "I would almost undertake to draw up," said Mr. Chamberlain, "two balance sheets for the same company, both coming within an auditor's statutory certificate, in which practically the only recognisable items would be the name and the capital authorised and issued." It is the barest justice to the fair name of the Midlands, however, to recall that it is the centre from which that splendid specimen of your science is issued—I refer to the Dunlop Rubber Company's accounts. My concern here is not with the actual details—whether holding companies should be compelled to publish consolidated balance sheets, whether the auditor's certificate should be more positive in its guidance and so forth—but rather with an attitude of mind. I would like to see the acceptance of wider responsibilities not so much a fact as a *creed*; for given this creed, the detailed application on wise lines will more or less follow.

Reviewing the trend of my argument, you might reply: "That is all very well, but we have our living to earn in a competitive work-a-day world." I do not dispute the importance of the conditions in which you exercise your profession. If, however, these conditions are an obstacle to reforms which informed public opinion regards as essential, does it mean that they are beyond hope of all remedy? Is it a fact that the average level of remuneration—I ask the question in all seriousness and not jestingly—is not such as to provide the accountant with the status and independence in keeping with his functions? Does his position require strengthening by legislation? Are the circumstances of his professional organisation and training suitable for present-day purposes? I ask these questions, but the answers must come from your profession. What I do suggest, however, is that the questions should be considered with due regard to an enlightened conception of the function of the accountant implicit in the modern world. If the accountant is unable to accept this position, it is a temptation to the public to seek the services required in very different quarters, or possibly from the accountant under very different conditions.

It is inconceivable, however, that accountants will ever allow this position to develop. In the past they have displayed no little public spirit, and indeed it should be said that, while conditions in some respects are less satisfactory than many would desire, it is highly probable that without the doughty battles which accountants sometimes wage behind closed doors, these conditions would be still less satisfactory. It would assist the profession enormously in these crusades, however, if there was the assurance of a vigorous and unified policy *within* the profession on the major issues; and those against whom the crusades were conducted could not fail to be more amenable. Thus the way to lighten the individual burden is to spread it over as many shoulders as possible, for this, so far as the individual practitioner is concerned, is the chief justification for organisation on a professional basis. The immediate task is obviously two-fold: a recognition within the profession of the necessity for accepting the fullest social responsibilities implicit in the accountant's function; and the emergence of the necessary leadership towards this end. And it might be worth while to postulate a reasonable receptivity to the trend of public opinion, and not only the section which is articulate but the vaster section which is inarticulate. Here is the opportunity for such a society as yours; here it is possible for what the late Lord Balfour once called "the incalculable influence of man on man" to work itself out to the professional and public advantage. With the traditions which you have and with the opportunities which lie before you, I have no doubt at all that you will enjoy the prestige which arises from professional standards in keeping with the needs of the times and faithfully upheld.

Discussion.

The CHAIRMAN said he was sure there must have been many observations and suggestions in Sir Harold Bellman's address which had prompted members to cogitate at once upon some of his propositions, and some of those present, would, it was to be hoped, express their views. They would have appreciated the issue Sir Harold Bellman was raising: it was as to whether they were to dwell on the technical and legal requirements from them as accountants, or were they to be influenced, as the Lecturer had suggested they should be, to a much greater degree by the need for regarding themselves as guardians of the public interest. Upon that subject there must be divergent views, and it would be pleasing to hear the opinions of a good many speakers. It was hoped there would be a general debate, mostly from the floor of the hall, and when the right time arrived a proposition would be made by a selected speaker, thanking Sir Harold Bellman for his address. The greatest benefit from those meetings, however, lay in inviting, so far as possible, opinions from the general body of members.

Mr. C. N. WALTER, F.S.A.A., said he had only a small point he wished to refer to. Sir Harold Bellman, in the course of his very stimulating and excellent address, had said that very often what was the best practice only six years ago was out of date to-day. He (Mr. Walter) would rather suggest, for their own mental well-being, that that was not quite true. If it were so, they would find their work exceedingly difficult. If they referred back to lectures, speeches and remarks made, as long as 50 years ago, by certain of the founders of that Society and by founders and leaders at that time of the other bodies, it would be found that a very great deal of what they said still held good to-day. It was, of course, a question of ethics with which they were dealing, and when they came down to the rock-bottom they were guided really by two main principles, and the first had to do with Sir Harold Bellman's reference to their technique as accountants. It meant clarity in all they did. In acting as accountants, the thing they should seek for always was clarity. The other aspect of their profession, and in some

respects the most important one, was that of truth. Those two guiding principles, he suggested, formed the main basis of the ethics of their profession. If accountants kept to those two things, then they certainly could not go very far wrong. Therefore, reverting to the small point he had raised at the beginning of his remarks, he did not think accountants were affected so very much by how rapidly changes took place in the business world. With those two main principles as the base of their ethics they could not possibly fail to render proper service to the public in the fiduciary capacity in which, as Sir Harold Bellman had suggested, they stood.

Mr. W. STRACHAN, F.S.A.A., remarked that, in speaking of the subject of professional ethics, Sir Harold Bellman had said he would like to see the burden placed upon as many shoulders as possible, and in that connection he had referred to the main body of accountants. But some responsibility should be placed on the shoulders of shareholders of public companies. Auditors of public companies did not always get the support to which they were entitled. If they took up a strong position, very often they were not supported by the general body of shareholders. He (Mr. Strachan) thought that, from that point of view, shareholders were not always free from blame in relation to the complaints they sometimes made.

Mr. W. J. BACK, A.S.A.A., said that, though there was to be a formal vote of thanks, he could not refrain from expressing appreciation to Sir Harold Bellman for his address that evening. The Lecturer had referred to Birmingham—with which the Chairman was particularly associated—as having illustrated the weaknesses and failures of accountants, but had forgotten to remind them that it was Birmingham which put them on the wrong track to start with. Sir Harold Bellman had obviously read Dicksee's book on Auditing very closely, and would, therefore, have read about the *Birmingham Small Arms* case—a case in which the Judge stated, in the course of his remarks, that although a balance sheet was not a true and accurate statement of the facts, an accountant might state that it was, and still be speaking the truth. That was the effect of the *Birmingham Small Arms* case, and the influence of Birmingham on the development of accountancy had been almost fatal for a whole generation. It was not until they got to the time of the *Royal Mail* and *pepper* cases that the tide began to turn, and they had the opportunity to find another course of life and another way of thinking. Therefore he (Mr. Back) suggested that, against the credit claimed for Mr. Arthur Chamberlain, of Birmingham, on the debit side of the account a great deal of the deficiencies of accountants were to be charged to Birmingham. Sir Harold Bellman wanted accountants to take a larger responsibility than that already taken. Presumably he meant the responsibilities placed upon them by Acts of Parliament and decisions of the Courts. They were really fairly heavy. But one of the things that did seem to be essential, if the burden was to be shared over a number of shoulders in the fashion suggested, was that the profession should be able to control those shoulders, and the trouble largely lay in the fact that it was possible for anybody and everybody to sign a report on the face of a balance sheet. The difficulty of developing the ethos of the profession lay in the fact that one might always be told that there were plenty of other people who would sign the thing one refused to sign. And it was perfectly true that there were large numbers of people, operating in smaller spheres than those in which Sir Harold Bellman moved, accepting the duties and responsibilities of professional accountants, who were not amenable to the discipline that the larger societies placed upon their members. That seemed to suggest the necessity for some unifying of the profession in order that the responsibilities might be shared, and, being shared, might fairly be insisted upon in the cases of which the Lecturer had been thinking. One of the matters to which the Lecturer had referred was the complete change in the capital position, the coming of the smaller capitalist, and the steady recession from importance of the wealthy folk who were able to take a large interest in a particular organisation and thereby see that they got

what they wanted. The position nowadays was largely that, in the bigger concerns, a profession of organisers had developed, who were not usually themselves capitalists, or not those in control of large capital resources. They employed capital very much as they employed labour. Therefore it had ceased to be a conflict between capital and labour, and nowadays it was a conflict between a professional organising class on the one side, and capital and labour on the other. As the Lecturer had indicated, practically the only defence that the capitalist and the labour market had was the existence of a source of information that could be relied upon and which was certified or reported upon as being true by the auditor. The auditor, for his part, had no opportunity of defence against the machinations of the professional class of organisers who appointed him and who were in a position to appoint somebody else to take his place if they did not approve of the kind of truth he chose to give them. That was of great importance. It would also be clear in accountants' minds that the great companies were largely becoming public bodies in the sense that the London Passenger Transport Board and other bodies were. In the *Imperial Chemical Company* case evidence was given that, effectively, the dividend of the shareholders did not vary with the profits; the company regarded themselves as having public duties, and intended to maintain a dividend rather than distribute the total amount that might be available. He (Mr. Back) believed he was not misrepresenting what was said. The fact was that the employer was using capital and remunerating it on terms he thought proper. If auditors were to stand for a professional, ethical standard, then they would need the support of the Lecturer and other people in his position in securing the auditor against attack by people upon whom some day he might have to make an attack. The end of the remarks of the Lecturer was practically this: that personal qualities created the spirit of a profession. They were of the utmost importance—more important, perhaps, than knowledge—and it was certain that the spirit of a profession was created not by the few men who stood in the front places, but by the general attitude and atmosphere of the rank-and-file members who were creating that standard and that ethical position as they went about the ordinary pursuits of their business.

Mr. A. CARNEGIE HERON said that, by reason of his comparative lack of experience in the profession compared with the gentlemen who had already spoken, he must preface his remarks by recalling to their minds the rather familiar reference to youth—that its directness and simplicity was sometimes refreshing. They had had a call that evening to regard the ethics of their profession and the responsibilities they had to face. He had been glad recently to find that in the profession recognition of responsibilities definitely existed. The great feature which impressed him about accountants to whom he had spoken was that they were not going to permit any compromise; they were quite fearless in their determination to use their personal influence as accountants in the businesses where their duties took them, to make those businesses operate with uncompromising honesty. There was too much compromise, and they all knew why. It had been pointed out that evening that they often wondered if they were going to be "packed up." Well, since they could not really know, it was no use sitting back and waiting to find out. If they just went ahead, determined that it was the right thing, and did not count the cost, they were sure to come through; and in doing so they would have done something constructive which would make membership of the profession really worth while.

Mr. PERCY WALKER, F.S.A.A., speaking as a visiting member, expressed his great pleasure at being present and hearing Sir Harold Bellman. On the subject of the ethics of the profession, he thought one of the most harmful pronouncements ever made was that made by a Lord Justice in the *Kingston Cotton Mills* case, when he said accountants had to regard themselves simply as watchdogs, and not as bloodhounds. Many people took cover behind that, and said that if they were fulfilling the

statutory duties laid upon them, and had done what they were paid for doing, they need go no further. A most encouraging thing for the younger members and for all of them was when they got someone of the weight and size of Sir Harold Bellman to make the pronouncements he had made and call upon accountants to do something more than merely what they were paid to do.

Mr. E. CASSELETON ELLIOTT, F.S.A.A. said that his duty was to propose a vote of thanks to Sir Harold Bellman, and that he did with the utmost cordiality. A reference had been made to the Lecturer's physical qualities by the last speaker; he would like to make reference to his mental qualities, of which they had all had evidence that evening. Sir Harold Bellman was a man well able to discuss his subject from an ethical standpoint. He (Mr. Cassleton Elliott) would rather call the paper "The Ideals of Accountancy." It was ideals which they were all striving to attain, and they had had the subject put to them in the way it had been put by Sir Harold Bellman because, as a Society—the second largest Society of Accountants in the country—they had always striven for a high ideal. That ideal Sir Harold Bellman had crystallised that evening. The Lecturer had made his paper sufficiently provocative to arouse their interest. Naturally he (Mr. Cassleton Elliott) did not agree with all he had said. Naturally he would not agree with the suggestion that a company should instruct the Society or Institute to nominate some person for the purpose of auditing its accounts unless he were the person nominated, any more than one could expect Sir Harold Bellman to agree unless he were the person nominated in his particular profession. That was an impossible ideal, because personality, which was so necessary in an accountant, would be lost. The young man who had spoken from the end of the hall had inferentially made reference to it. It was personality in the accountant to-day which would achieve the ideal for which Sir Harold Bellman was striving. Unless a man had personality, with knowledge behind him, he was not in a position to insist upon that honesty which was necessary for a true accountant. The accountant stood in a unique position to-day. After examining the accounts in detail, he could return to his office and study the accounts there, away from the business which he had been auditing. That was a great safeguard, because he was able to take an entirely dispassionate view, which was very important. Despite what Mr. Arthur Chamberlain had said, there was a certain value in a balance sheet, and, of course, one had to remember that a balance sheet was taken at a certain moment of time and it altered immediately afterwards. At the same time, everything in this world was relative, and if the balance sheet at that moment of time gave a true description of the position as the accountant found it, it was of great value. The Lecturer had referred to stockbrokers and to the financial papers who gave second-hand information in regard to the balance sheets which had been issued. Quite frankly, he (Mr. Elliott) did not think the small shareholder cared twopence about the stockbroker or the financial paper; all he cared about was whether his capital was going to appreciate or not—whether or not his shares were likely to be worth more after he had bought them. The majority of the small shareholders simply went into a company in the same way as Sir Mark Webster Jenkinson had described people backing horses and going into pools. At the same time, the small shareholder must be protected, and he was protected. Although there had been regrettable exceptions in the past, he claimed quite definitely that if an auditor did his duty he was very seldom dispossessed. If he did his duty to the directors, who had in the first place appointed him, he was doing his duty to the shareholders and he retained his position; and there was no necessity whatever for him to be afraid to qualify his certificate if he considered it necessary. The stronger the man, the stronger would be his position. His duty was to propose a very cordial vote of thanks to Sir Harold Bellman for the thoughtful paper he had given them. It was a thoughtful paper, and it had been delightfully delivered, and it had given them much to think about.

They were all grateful to Sir Harold Bellman. (Applause.)

Mr. R. A. WITTY, F.S.A.A., in seconding the vote of thanks, said that he had been just a little disappointed that in the course of the discussion there had not been more response to the clue which the Chairman himself gave in his opening remarks, when he reminded them of Robbie Burns' words about seeing ourselves as others see us, because that was what Sir Harold Bellman had done that evening: he had shown them themselves as others saw them; in other words, he had shown them the accountant as the business man saw him, and had approached the subject from that angle with remarkable success. The general subject of ethics was familiar to all of them from the day they entered the profession, but he thought that was the first occasion on which he had heard the subject approached from the business man's point of view. It was merely incidental to remark with what success the Lecturer had got clean away from the textbook atmosphere, which was really what they wanted him to do. In showing them themselves, on the whole Sir Harold had been rather kind; he had not said anything very nasty about them. But they should not be misled by the courtesy of the Lecturer. Although he had not said an unkind word anywhere, if he (Mr. Witty) were asked to summarise the address in about one sentence he would say that what Sir Harold Bellman was conveying to them was this: that in the mind of the business man, the accountant as such had not fully realised his possibilities or his responsibilities in the social polity of the nation. If they took that to heart they certainly would not suffer; it would do them all good. There were two points in connection with the address on which he particularly wished to say a word, and the first was the quiet insistence which seemed to be running throughout the whole paper on the inter-relation between the subject of ethics and the question of a unified profession. They would remember that Sir Harold Bellman had called their attention to the fact that they were less closely organised than Law or Medicine. He had referred to the Five Year Group, with that terrible suggestion that there should be a sort of panel from which they should draw all their fees, and had referred to their professional organisation being less unified perhaps than some other professions. Later he had mentioned the fact that it would assist the profession if there was the assurance of a vigorous and unified policy within the profession. Incidentally, that was a subject which had lately been interesting him (the speaker), and he had had the temerity to write a short article about it which had appeared in the columns of *The Accountant* the week before last, with an invitation to members of the profession to express their views. If any of them had read into the lecture that evening the same idea as he had expressed, he hoped they would not hesitate to send their opinions to the Editor, because there was no question but that it was locked up with the question of ethics. He was tempted to put a specific question to Sir Harold Bellman and ask him if it would be the business man's view that it was difficult and perhaps impossible for the accountancy profession to reach its full destiny unless and until it became a unified profession. And because he was asking Sir Harold Bellman a question, he thought at least they ought to endeavour to answer the one or two questions the Lecturer had asked them. In speaking of the Companies Act, Sir Harold had asked if the position of an auditor required strengthening by legislation. He (Mr. Witty) thought the answer was Yes, if the accountant was to fulfil all the ideals set out in the paper. They would probably be agreed that the acceptance of wider responsibilities should not be treated merely as a *fac*, but rather as a *creed*, but it was a definite truth that to-day a *creed* needed to be backed by force. It certainly was so here. Under the existing state of the law the accounts were the accounts of the directors. If there was any endeavour to make them the accounts of the auditor or the accountant, and to make him more responsible, it would be essential that he should be given much stronger and wider power by legislation. The second question was: Were the circumstances of the accountant's professional organisation and training suit-

able for present-day purposes? Regrettably, the answer to that—he (the speaker) was giving a personal opinion—was No: a qualified No, but nevertheless No. Unfortunately, there was locked up in that the misconception that the Final examination of the Society or the Institute was the end of training. It could not be too often brought home that the Final examination of any accountancy body was the test of the man who desired to become an accountant; it was not the test of an accountant. It was an examination which he had to pass on the very threshold of his career, and what they wanted, and what Sir Harold Bellman was telling them the business man expected them to do, was to continue that education. There was no question whatever that the profession as a whole ought to take more seriously into consideration the continuous training of the qualified accountant. He had risen for the purpose of seconding the vote of thanks, and in doing so would remind members that Sir Harold Bellman had rendered many services to the accountancy profession. He had that evening added yet one more brilliant service, for which they would remember him with gratitude. (Cheers.)

Mr. WALTER HOLMAN, F.S.A.A., said that his remarks would be like the accounts to which Sir Harold Bellman had referred—a miracle of compression. Incidentally, he wished to point out to Sir Harold that those accounts so described were not the accounts of an accountant or an auditor, but of the directors, and the Lecturer would know full well that the problem which faced an auditor frequently was how far he might pass accounts which gave the minimum of information. It should also be borne in mind that the accounts of the Dunlop Company, which Sir Harold Bellman had rightly instanced as masterly efforts of disclosure of information, were the work of an accountant whose work formed a model for accountants generally. In supporting the vote of thanks, he wished just to refer to the main theory which Sir Harold Bellman had been getting over to them. It recurred constantly throughout the address: “the fiduciary responsibility of the accountant,” his “responsibility to the community.” “His duty to safeguard the ordinary citizen” was another phrase which occurred in the paper. The stimulating part about the address was the way the Lecturer stopped dead just when one was getting really interested. Just when one thought he was going to give something exceptionally good, he switched on to something else. He had left certain queries, and perhaps when he replied to the discussion, if he felt so disposed, he would like to define rather more clearly what he meant by “fiduciary responsibility,” because, as accountants and as auditors, their primary duty was to the clients by whom they were appointed and by whom they were paid, and there must be no divided loyalty; there must be no serving their clients with part of their heart and mind and strength and keeping a part back with a view to the general public. The only way in which they could fulfil their responsibility to the public was by complete honesty and complete loyalty to their own clients. They were paid by them, they were employed by them, and any outside responsibility was only such as they shared with every citizen. He (Mr. Holman) maintained that every human being had a responsibility to the community to which he belonged, but that responsibility was best fulfilled by complete loyalty and by complete honesty in his immediate dealings. That point of view needed emphasis in order that they might get a balanced and correct view of the ideals which Sir Harold Bellman had so ably put before them. He very gladly supported the vote of thanks which had been moved and seconded for the interesting and stimulating address which Sir Harold had given them. (Applause.)

The vote of thanks was carried by acclamation.

The CHAIRMAN said that, in asking Sir Harold Bellman to reply, he did not propose to recapitulate in the slightest measure the observations made by the various speakers. He felt, however, that they would permit him one digression. He wished to say that he paid tribute to the freshness and sincerity of the observations made by their young member, Mr. Heron.

SIR HAROLD BELLMAN said he had not really a great deal to reply to in the questions. He thought they had been extremely tolerant and kind. Quite frankly, he had expected that, no sooner had he resumed his seat, than many a hand would be diving beneath the desk for the cane; but, on the whole, he had got off pretty well. He would only attempt a very brief reply because the hour was getting late. He desired to thank all the speakers for their extremely courteous and kindly commendation and comments, and to share in the Chairman's expression of appreciation to the young member of the Society who spoke from the back of the hall. It was always very pleasing in a meeting like that to feel that youth had its view and expressed it. Mr. Cedric Walter, in opening the discussion, had made several extremely interesting observations, with which he found himself in complete agreement. He had no point of difference with him at all. With regard to the point about constantly changing conditions, when referring to the fact that one could not take the standards of six years ago as an adequate criterion for to-day, there were two special factors in his mind, and both had emerged more or less within the last six years. First, there was the immense development and the repercussions upon retail trade, and particularly on hire-purchase trade, of the great financial houses which were controlling so much of the hire-purchase trade in the country to-day. That was one factor with which he had had to make himself familiar in the last few months, in connection with the Bill now before the House of Commons to control hire-purchase trade. The other big change was the development of Unit Trusts. Who could have seen half a dozen years ago the stage to which that great financial institution would develop? Those were the type of things he had in mind when suggesting that the technique of half a dozen years ago was not necessarily the technique they had to think about and study to-day. Hence in his address the stress he had laid upon the consideration of the technique applicable to present conditions. Mr. Strachan had made an interesting point when he had urged, with some good warrant, that the shareholders should also share the responsibility with the auditors. With that, of course, he (the Lecturer) found himself in entire agreement. The only thing was to know how best to mobilise the too often inarticulate shareholder. While Mr. Back was speaking of the non-qualified men, his mind had gone back to those months he had spent as a member of the Departmental Committee to consider the question of registration of accountants. That matter had come up in evidence from almost every body giving evidence before that Committee. He agreed with Mr. Back that it was one of the great difficulties their profession had to face. Mr. Cassleton Elliott had tried to fob off on to him an illegitimate child. He (Sir Harold Bellman) did not conceive the idea about accountants being employed by the Institute or Society and remunerated by that body, to which the company would pay its fees. That was the proposal of the Five Years Group. He only mentioned it, but did not approve it. He was not even its midwife. (Laughter.) Then Mr. Witty had put a question. He agreed with Mr. Witty's admirable summary of what he had been trying to say. Mr. Witty had put it in very few words while he had put it in some hundreds, but the effect was the same. He was inclined to agree that only when the profession was completely and thoroughly unified would they be able to exercise their full weight and full influence in the direction he had suggested. The President had tried to tempt him to keep the meeting until a late hour on some explanation of his use of the word “fiduciary.” He had thought twice about the use of that word, but could not find a word that explained quite what he had in mind as easily as “fiduciary,” and so he took the rather cowardly course of saying he used the word in the wide sense. It was not the ideal word for the purpose, but it was the only word he could find on the spur of the moment to express what he had in mind. If what he said in his paper was published in the Society's proceedings and read, they would see he had left a little latitude there. He had not been dogmatic about it, and

he hoped the President would not feel that he had gone too far in the use of that word. Perhaps if he had had a little more time to think he would have found a better word. He was profoundly grateful to the President, the Chairman, the proposer and seconder of the expression of thanks, and to all the others who had spoken. He had found it a most stimulating exercise to sit down and try and express his views on that particular subject. He was very interested in their profession. For good or ill he had to live with a number of members of their profession, and he found it very interesting to try and crystallise his thoughts in that way; he was very grateful for having been given the opportunity. It had been a great pleasure to him, and he was particularly grateful for their considerate and careful handling of the discussion.

The proceedings terminated with a vote of thanks to the Chairman, which was unanimously accorded.

Incorporated Accountants of Swansea and South-West Wales.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' District Society of Swansea and South-West Wales was held at the Hotel Metropole, Swansea, on March 25th. Mr. W. H. ASHMOLE, M.B.E., J.P., presided over a large company, including the Mayor of Swansea (Councillor W. D. Rees, J.P.), the Mayor of Llanelli (Alderman Elias Davies, J.P.), Mr. Percy Toothill (Vice-President of the Society of Incorporated Accountants), Mr. Lewis Jones, M.P., Mr. T. R. Harris (President, Incorporated Law Society of Swansea), Sir William A. Jenkins, Mr. Arthur Lloyd, Mr. H. M. Stevens (President, Swansea and West Wales Centre, Institute of Bankers), Mr. Malcolm Smith (Managing Editor, *South Wales Evening Post*), Mr. Percy H. Walker (Honorary Secretary, Incorporated Accountants' District Society of South Wales and Monmouthshire), Mr. R. A. Wetherall, F.S.A.A. (Borough Treasurer, Swansea), Mr. E. D. Rees (President, Swansea Chamber of Trade), Mr. Fred Davies (County Councillor), Rev. Canon D. Edwardes Davies (Vicar of Swansea), Mr. T. C. Cadwgan (Official Receiver), Mr. L. T. Little (Deputy Secretary, Society of Incorporated Accountants), Mr. E. Ablett, Mr. C. T. Stephens (President, Incorporated Accountants' District Society of South Wales and Monmouthshire), Mr. E. A. Leeder, Mr. H. L. Lang-Crath, Mr. F. J. Alban, C.B.E., F.S.A.A., Mr. Ernest Davies, and Mr. T. O. Morgan, A.S.A.A. (Honorary Secretary of the District Society).

The toast of "The Society of Incorporated Accountants" was proposed by a leading solicitor, Mr. ARTHUR LLOYD.

Mr. PERCY TOOTHILL (Vice-President, Society of Incorporated Accountants), responding to the toast, said there were probably still some people who interpreted the accountant's function in the narrow sense as concerned only with the preparation and checking of accounts. He thought, however, that the accountant's true function was a much wider one. The up-to-date accountant would give advice to his client in all or most of the financial aspects of his business. It should fall as much on the accountant as anyone to ensure that business enterprise as a whole was being run economically. The accountant should also take an intimate interest in the national finances, in the way and extent to which money was raised and in the way and extent to which it was spent. At the present moment this country was incurring huge expenditure. The national budget had reached the

colossal sum of £1,000 millions. They all knew that a very large expenditure in present circumstances was essential. It was not in a tone of destructive criticism but in one of constructive criticism that the accountant, when he looked at this large outlay which the nation was incurring, desired to assure himself that it was being spent in the most economical way. He should be the watch-dog of public as well as private funds. It was in the interests of all that, even though some increase in taxation might be necessary, the increase should be kept as low as possible. Having before him this need for the utmost economy, he could not help mentioning that there seemed to be some directions in which public money was being used to something less than the utmost advantage. The strongest measures should be taken to avoid wastage and to conserve our resources during a time when the nation was engaged upon a scheme of extensive rearmament. Avoidance of waste meant the husbanding of the nation's resources in every direction. It meant a careful examination of all the circumstances whenever factories were being built or new industrial developments were being considered. These were matters which concerned South Wales probably as closely as any part of the country, and he thought that Swansea could, in this respect, be identified with South Wales more closely than any town in the area. He thought it true to say that Swansea, particularly, had been a loser as a result of this, and from what he had seen of the district confirmed his impression. It seemed to him that in towns such as Swansea which, strategically, were favourably situated, where so much capital equipment lay ready for industrial production, and where there was a population of first-class industrial capacity, it would be an easy thing to introduce the industries which were so much needed, and which, he was afraid, in many cases, were being introduced in less advantageous localities. It was matter for regret that in South Wales there lay derelict factories and mines, that equipment which had cost hundreds of thousands of pounds to instal was being left to go to waste, and that there had been a movement of population from the district which had reached formidable proportions. He thought South Wales could play a more important part than it had done so far to solve the industrial difficulties. When he was informed that in South Wales new factories and works were being erected on some of their finest agricultural land, in many cases quite away from the facilities of lighting, water, railroad and population, he felt that something should be done in the way of co-ordination between the various spending departments of the Government to avoid what was to his mind a great wastage of capital. Buildings in the centre of many industrial towns, capable of being adapted to new requirements, were being allowed to become derelict. There was another aspect of this which particularly affected the accountant. He referred to the raising of new capital. At such a time as the present it was important that they should not draw upon the resources of the capital market more than was absolutely necessary, so that private industry should not have to pay a higher rate of interest for its capital than it had been paying in recent years. He knew the damping effect which a rise in the cost of capital had upon industry. In thanking Mr. Lloyd for the way he had proposed the toast, he would like to add his congratulations to the Committee of the Swansea and South West Wales District Society for the splendid work they were doing, and especially he would like to mention the fine record of Mr. T. O. Morgan, who had been Secretary of the District Society since its inception, except for one year when he was President. Incorporated Accountants in South-West Wales were

fortunate in having such an active District Society and such a worthy occupant of the Presidential chair. (Cheers.)

Mr. LEWIS JONES, M.P., proposed the health of the District Society.

The PRESIDENT (Mr. W. H. Ashmole, M.B.E.), in response, said that he was very proud of their District Society, which was established eleven years ago. Prior to that they were attached to the South Wales and Monmouthshire District Society, from whom they had received, as he wished to acknowledge, every assistance. They had found Cardiff too far away from Swansea to enable them either to give or to receive all the support which was necessary or to uphold in their own immediate district the name and reputation of the Parent Society. It was now about 40 years since he first joined the Society of Incorporated Accountants, and the profession and Society since that day had made rapid strides. The great increase in income tax had made it essential that all business men should have proper accounts. It had been established in bankruptcy courts over and over again that failure to keep proper accounts had been the cause of bankruptcy. Another reason for the growth of the profession had been the greatly growing desire to have absolutely accurate records of cost of production and distribution, so that heads of businesses might be able to keep perfect control and reduce expenditure to a minimum in order to compete under the most favourable conditions. In a large number of cases accountants had become financial advisers as well as auditors, and were able to assist the management by bringing to bear upon business problems the financial mind, not in place of but as a useful addition to the ordinary commercial outlook. In that District Society they had endeavoured to pursue those ideals, and to train their students to meet that demand. They had a series of lectures every winter by eminent accountants, lawyers, and others; they had a students' section where the students met to discuss their difficulties, and the seniors had the advantage of meeting frequently to help each other by comparing experiences—a thing absolutely necessary in any profession if a man was to keep up-to-date. In Swansea there was a skilled body of accountants equal in ability to those of any other town, and there did not seem to be much justification for local business men, who themselves depended upon local support for their existence, going to London and elsewhere for their auditors. Local accountants should be supported, and he ventured to hope that would be borne in mind by Swansea business houses when making future appointments. In concluding Mr. Ashmole thanked all who had assisted in the work of the Society, particularly their Honorary Secretary, Mr. T. O. Morgan.

Mr. MALCOLM SMITH (managing editor of the *South Wales Evening Post*) proposed the toast of "Our Civic Governors," to which the Mayor of Swansea, Councillor W. D. Rees, J.P., and the Mayor of Llanelli, Alderman Elias Davies, J.P., responded.

"Our Guests" was given by Mr. R. A. WETHERALL, F.S.A.A., Borough Treasurer of Swansea, and the responses came from Mr. T. R. Harris (President of the Incorporated Law Society of Swansea) and Mr. H. M. Stevens (President of the Swansea and West Wales Centre, Institute of Bankers).

Mr. PERCY H. WALKER (Honorary Secretary of the South Wales and Monmouthshire District Society) proposed the health of Mr. T. O. Morgan (Honorary Secretary of the Swansea District Society), and Mr. Morgan replied.

Britain and The United States.

A LECTURE delivered to the Incorporated Accountants' Bradford and District Society by

DR. W. H. COATES, LL.B., B.Sc.

Dr. COATES said: when I selected the subject of "Britain and America" some four months ago I had been pessimistic enough to believe that the preliminary pourparlers for an Anglo-American Trade Agreement would still be in their secret stage when I came here tonight. As a rule I choose non-topical subjects, for topical ones are apt to get you into trouble.

If you are anticipating to-night forecasts of what an Agreement may provide you will, I fear, be disappointed. My main purpose is to indicate the background against which such an Agreement must be judged. There are a few elementary statistics to be borne in mind in the first place. The United States has a continental area of about three million square miles. More than 27 per cent. is arable. At its widest point it is some 3,000 miles wide; bounded on the eastern side by another 3,000 miles of ocean before you reach Europe; and on the western side by an even greater distance from Asia. There is therefore a colossal distance east and west between the United States and any potential enemy. Its natural resources are very great. With the exception of a few products such as rubber, nickel, tin, silk, manganese, chromium, &c., practically all the essential raw materials of industry are to be found inside the country. Its own resources embrace 10 per cent. of the annual world supply of gold, over 20 per cent. of the silver, between 10 and 20 per cent. of the wheat, 40-50 per cent. of the cotton, 20-30 per cent. of the tobacco, 50-60 per cent. of the maize, about 30 per cent. of the iron ore, and 15-30 per cent. of the copper. It has a population of over 120 million persons, or only 41 to the square mile, and some 24 per cent. of its occupied population are engaged in agriculture.

As a great producer of primary commodities, the United States has suffered in recent years, like the rest of such countries, from a superabundance of crops, when judged by the cost of their production in relation to the price which consumers in general are willing to pay for the quantities involved. A curve of the world stocks of primary products based on 1929 and carried on to 1937, is almost like the upper half of an ellipse, rising from 100 in 1929 to about 125 in 1932 and falling again to about 95 in the middle of last year. But the lower half of the ellipse, representing the sterling prices of these primary products, is even deeper. Again commencing at 100 in 1929, it ranged round about the 60 mark for each of the three years, 1931, 1932, and 1933, and only rose again to about 98 in the Spring of 1937. As stocks (or supply) rose, price (or demand) fell, but much more drastically—as usual with an inelastic consumption.

LOW PRICES OF PRIMARY PRODUCTS.

One of the great economic problems of the United States has been—and still is, I may say—the problem of low prices of primary products affecting so large a percentage of the population. Here lies the explanation of the huge subsidies to farmers paid out during the Roosevelt administration. Here lies the explanation of the desire for the Ever-Normal Granary.

Speaking on November 17th at Mount Vernon, President Roosevelt paid tribute to George Washington as a farmer, but commented

"... he could not foresee that fixed charges, such as taxes, interest and freight rates, would push thousands

of farmers into bankruptcy whenever the prices of farm commodities collapsed. He could not foresee that abundant production, instead of lifting the farmer's standard of living, would sometimes crush the farmer under the weight of an unmarketable surplus . . . He could not foresee that farm buying power would be essential to keep city factories running."

That is why the agricultural problem in the United States is one of the supreme issues and why, moreover, it lies at the root of the American Government's desire for a Trade Agreement with this country.

Last year was one of plentiful agricultural yield in the United States. The crops were estimated to be in total some 14 per cent. above the ten-year average of 1923-32. Excluding cotton, one of the chief factors in the situation, the excess was still some 5 per cent. The cotton crop was nearly 19 million bales, or 6 million more than the year before, and about 4 million more than the average of the five years 1928-1932. Record crops were expected, not only in cotton but in rice, edible beans, Louisiana sugar, various vegetables, fruits, nuts, &c., while the corn crop at 2,650 million bushels was over 1,000 million bushels greater than the year preceding. You will therefore understand the strong support given by the farmers to President Roosevelt's proposal for crop insurance and the general theory of the Ever-Normal Granary.

Larger export markets are essential, or acreages must be drastically reduced. Some idea of the alternative remedy may be gathered from a speech by Mr. Wallace, the Secretary of Agriculture, last November. To get a balanced supply of cotton, he thought it would be necessary to cut the acreage by 8 to 12 million acres, involving a total loss of cotton of a value between 200 million and 300 million dollars per annum.

THE LABOUR PROBLEM.

A second significant factor in the economic background is the labour problem in the United States. There is a bitter division of opinion in the labour ranks on the respective merits and demerits of craft unions such as we know them, and industrial unions each embracing all the workers (craftsmen and labourers) in any one industry. The older organisation, the American Federation of Labour, is based on the former principle, but under Mr. John Lewis, the Committee for Industrial Organisation was formed at the end of 1935 to establish the principle of industrial unionism. We have not been faced in this country with that particular trouble, nor have we suffered from such undesirable strike action as that represented by the sit-down strikes in the works, which have been a distinctive weapon of the C.I.O. Moreover, we have a tradition of peaceful settlement and a general absence of the violence which in many cases afflicted the United States last year. Labour has gained considerable advantages in higher wages, minimum wages, and reduced hours. Towards the close of last year negotiations for reconciliation took place between the A.F.L. and the C.I.O., but with no results. Close observers, however, predict that it is bound to come. This second aspect of the economic background is important because the protection of American labour standards will be one of the cries raised in the United States when it is known what British manufactures are proposed to be admitted under the draft Trade Agreement. It will be alleged, no doubt, that British goods are produced by workers on a lower standard of living, with lower wages and longer hours. Competition from goods produced under such labour conditions will—to put it mildly—be deprecated.

THE POLITICAL BACKGROUND.

Thirdly, there is the political background, which is so

different from our own. The other day I came across an interesting quotation showing how old is the American tradition of the necessity for a system of checks and balances between the different constituent parts of a commonwealth. It is a quotation from a speech by Adams, who was one of the founding fathers of the American Constitution and the second President (1797-1801). He said:—

"The controversy between the rich and the poor, the laborious and the idle, the learned and the ignorant, distinctions which no art or policy, no degree of virtue or philosophy, can ever wholly destroy, will continue and rivalries will rise out of them."

Without an adequate system of checks and balances, it was believed impossible to hold the mutual antipathies of mankind in equilibrium. It was held that wherever was the source of power, there was the source of oppression. So it was made as difficult as possible for any one branch of government to act effectively unless it was in accord with the other two branches, whose interests sprang from different roots. When all three were in harmony, there was at least a strong probability of no revolutionary changes. These three branches are the Legislature, *i.e.*, Congress, the Executive (that is, the President and his Administration), and the Judiciary, represented in the last resort by the Federal Supreme Court of Justice. If the system is to work freely and wisely, these three branches must be in harmony.

The President as the Chief Executive recommends legislation to Congress which it may or may not follow. Even if it follows his main recommendation, it may adopt an awkward method. Again, the Executive may have to work with a Congress of a different political texture. The legislators may belong to the same party at the beginning of a Congress, but elections, overlapping with the four-yearly term of the President, may half-way through a Presidential term of office give the President a Congress of a different political complexion. A reversal of policy is therefore always possible. With us, sharp withdrawals are less likely, apart from the normally longer duration of political power of one party or the other. When, therefore, we talk broadly of the United States and the United Kingdom, we are apt to assume on this side of the water that the mechanism and powers of the Governments are more or less the same. We oversimplify the differences and hence the difficulties.

President Roosevelt is a Democrat, and Mr. Cordell Hull's policy of tariff reciprocity is a democratic policy. At the last Presidential election, Mr. Landon, a Republican, condemned that policy. The 1938 platform for American industry adopted at a conference of the National Association of Manufacturers said that they found "Road Closed" signs erected at many points, including "tariff policies which increase imports of foreign goods competing with domestic industry and labour, by extending the benefits of reciprocal tariff provisions to those not parties to the agreements, giving the benefits and getting nothing in return. Adequate tariff protection is vital to American labour; American manufacturers offer their co-operation in the endeavour to secure such protection." It is well that we should remember this difference of opinion between the two great political parties in the United States.

THE FINANCIAL BACKGROUND.

For our fourth point, let us look at the financial background. Ever since 1931, with the exception of our external debt to the United States, we may be said, until the present year, to have balanced our budget. We have paid in the main for our depression as we went along. United States conditions have been different.

The principal financial engine used by Mr. Roosevelt to cure the depression has been pump-priming, as they call it, by means of budget deficits. Since 1929 the total National Debt has grown gradually year by year and in the years to June, 1937, 1936 and 1935 there has been an aggregate deficit of something like \$10,000 million, or £2,000 million. In the fiscal year to June, 1937, there was a deficit of \$2,700 million, including the \$1,500 million attributable to the payment of the Veterans' Bonus. Partly as a result of the non-recurrence of that Bonus, the estimated deficit to June, 1938, is approximately \$700 million, though there are many who think that by the time that date arrives the deficit will prove to be much heavier.

Speaking to the Academy of Political Science on November 11th last, Mr. Morgenthau, Secretary of the Treasury, expressed the hope that in the year to June, 1939, the budget would be balanced. The President's message of January 5th indicated a deficit at June, 1938, of £m217, and forecast one for 1938-39 of £m190. This movement towards a balanced budget has been widely welcomed by American business. On the other hand, the means, represented by a drastic reduction in Government expenditure in 1937 compared with 1936, has involved a financial deflation which was partly responsible for the sudden recession of the last half of 1937.

The United States to-day is on the gold standard, whereas we are on a sterling standard. It is true that both are stated to be temporary, but the United States gold value of the dollar is on a 24-hour basis, and no one in this country regards our sterling basis as quite so temporary as that. It is interesting in this connection to note that the United States hold approximately £2,000 million of gold as against some £600 million held in this country, plus whatever secret reserve is owned by the Exchange Equalisation Fund. But the Dollar/Sterling exchange is governed broadly by the Tripartite Agreement between the United Kingdom, the United States and France, entered into some two years ago. The three powers then agreed in broad terms to have regard to one another's monetary policy and to harmonise them so far as possible with a view to a reasonable stability of the dollar, the pound and the franc. On the whole this international co-operation has worked well, though not without alarms and excursions, partly arising out of the unstable financial situation in France, and partly out of the uncertainty of the 24-hour basis of the dollar. Early last year it was much feared that the value of the dollar was to be raised, but recently, since the depression in the United States, the contrary fear has appeared—that the dollar will be still further devalued. With a risk of unstable currency conditions in both countries, the Dollar/Sterling exchange must be uncertain, and that is a factor of real importance to an Anglo-American Trade Agreement. British opinion is not yet ready for a return to the gold standard, but a Trade Agreement might very reasonably announce a normal Dollar/Sterling rate of exchange which the authorities would endeavour to preserve within a stated margin of fluctuation.

A source of greater financial difficulty between the two countries has arisen in connection with what the Americans call "hot money"—that is, money deposited or invested in the United States for purposes of refuge or temporary profit, and so liable to withdrawal at short notice. Some \$3,000 million in gold moved to the United States during the years 1936 and 1937, and it has been charged that substantial British moneys are included in this total. So far as these dollars found employment in the stock market it was clear that any panic withdrawal might have a disastrous effect upon the general value of securities.

Last autumn, of course, we saw the effect of heavy irrational sales of securities on the New York Stock Exchange, but the withdrawal of foreign money played no part in the disastrous fall of values.

Then I must touch, if only lightly, on the War debt. Many people on this side think that Americans have forgotten it. I believe that view to be entirely mistaken. The investment, whether on a temporary or permanent basis, of large sums of British money during the past two years has led many Americans to ask why, if the exchanges permitted the transfer of those moneys, they would not equally permit the transfer to the United States of our due obligations. Let me remind you of some of the salient figures of that debt. When it was funded in December, 1922, the total sum agreed upon in respect of the debt outstanding amounted to £920 million, taken at \$5 to the pound. Repayment was to be spread over 62 years, that is, ending in 1984, and the total amount of the interest to be paid over that long period was £1,300 million. Up to the time when the Hoover Moratorium was declared, Great Britain had paid to America in the 8½ years to June, 1931, £40 million on account of principal and £230 million in respect of interest. Three further payments were made, one of £19 million in December, 1932, and the two token payments of June and December, 1933, of £2 million and £1½ million respectively. Apart altogether, therefore, from the accumulating interest during the seven years of abeyance, our debt still stands at the capital sum of £860 million sterling. These were figures in terms of the old gold standard, though there is no doubt, I think, that to-day they would be assumed to be in terms of the present 40 per cent. depreciated dollar. I believe a debt settlement of some kind to be essential to any enduring and mutually satisfactory agreement, even if it only provided for an annual payment on account for the period covered by a Trade Agreement.

THE INTERNATIONAL ASPECT.

The fifth section of the background is the international aspect. There is a very strong Isolationist Party in the United States. It secured the present American Neutrality Law, which limits severely the scope of action that may be taken by the Administration in the case of any war external to the United States. The Administration has discretion to proclaim whether or not there is a state of war, but once the President has done so the Act lays down the classes of munitions which may not be exported to the belligerents. In addition, no American ship may be used for the transport of any commodities to the nations at war. This puts American neutrality on what is known as a "cash and carry" basis, for there is no embargo upon ships belonging to a belligerent coming to the United States to bring away exports paid for in cash.

Speaking in Chicago on October 5th last, President Roosevelt called the attention of his countrymen to the political situation in the world, which he described as "the present reign of terror and international lawlessness." He definitely challenged the Isolation and the Neutrality doctrines by saying:—

"Surely the 90 per cent. who want to live in peace under law and in accordance with moral standards that have received almost universal acceptance through the centuries, can and must find some way to make their will prevail."

Next day the Secretary of State officially declared that the United States Government had been forced to the conclusion "that the action of Japan in China is inconsistent with the principles which should govern the relationship between nations." But a responsible correspondent at

Washington, writing on November 18th, stated that Senators and Congressmen returning from their Constituencies had themselves brought a message to the President which seemed to be that "with all sympathy for China, the American people do not approve any foreign policy which moves toward our serious involvement with Japan. Also there is suspicion that Great Britain would use the United States, if it could, as a shield, and determination this Government shall not be so employed." In my view, therefore, little if any international political importance should be attached to an Anglo-American Trade Agreement. The feeling against any entanglement of the United States in international politics is so strong that I do not think any trade agreement is likely to affect it.

THE ANGLO-AMERICAN BALANCE OF PAYMENTS.

My sixth section relates to the Anglo-American balance of payments. The latest figures are for 1936. In that year the United States sold us—that is, Great Britain—£88 million worth of exports and took from us imports of only £30 million of United Kingdom products (*i.e.*, ignoring re-exports), leaving her a credit balance of £58 million. The *Economist* of September 25th last estimated that by payments for shipping, insurance, interest and dividend, tourist expenditure and other invisible items, this was reduced to a credit balance of £40 millions.

There are also contra imports from Great Britain into America of some £10 millions of silver and £35 millions of gold. It is fair, I think, in respect of these two commodities, and also of re-exports, to suggest that they are not the work or produce of the United Kingdom. We are rather a clearing house, for these are commodities to obtain which we have had already to export goods to the producing countries, except so far as we have received them in payment of earnings on our investments abroad. Of silver, the United States Department of Commerce booklet on the balance of international payments notes that "the silver coming into the London market (of which the United States, next to India, was still the largest buyer) consisted in great part of demonetized silver coin sold for the account of the Hong Kong Government, and of bar silver received from Japan—most of which, however, was of Chinese origin." It is hardly, therefore, a fair entry in the Anglo-American balance of payments.

It is said that the United States claims that in making these comparisons the United Kingdom cannot be taken alone. It is argued that the Crown Colonies must be included. Accordingly, the *Economist* statement includes figures for the Crown Colonies, showing that they had a credit balance with the United States in 1936 of £37 million, which by invisible items was raised to £43 million. When you look into detail, however, it is clear that £33 millions of the total debit balance (*i.e.*, 77 per cent.) against the United States arises from exports from British Malaya (*i.e.*, rubber). Again, it is pertinent to ask in what way that really affects the United Kingdom. While British investors have a substantial interest in rubber plantations, that interest does not extend to the full sale value of the produce. It is only in respect of the profit margin. The chief costs of production must be paid in Malayan currency and in that Great Britain has no interest except so far as British sterling securities may be held to back that currency. Again, only that proportion of the total profit accruing to U.K. residents comes into the calculation, and investigations I made some years ago when the Stephenson Plan was the cause of much ill-feeling in America, led me to believe that this U.K. interest was exaggerated. These considerations are equally applicable to Colonial produce from other British Crown Colonies. In my view, therefore, the

American claim to bring into the picture the adverse trade balance between the United States and the British Crown Colonies is not well founded. Its only justification is to be found in the Ottawa Agreements, which extended on a wide scale tariff preference in the non-self-governing parts of the Empire to products of the Mother Country and of the Dominions.

On a true construction, the balance of payments between Great Britain and America is heavily in favour of the United States, and any Anglo-American Trade Agreement should take cognisance of this fact. A greater measure of relief from tariff duties should thus be given to British goods entering the United States than to American products coming into the United Kingdom. To the extent that it is desired, moreover, to facilitate the provision of dollar exchange for paying the War Debt, these considerations apply even more strongly. There is also more scope for such action.

Apart from the special protection afforded to the iron and steel and automobile industries by rates of 33½ per cent., our usual tariff rates have been summarised by an American writer (Professor Bidwell) as: "Raw materials at 15 per cent. *ad valorem*; manufactured goods at 20 per cent.; and luxuries and semi-luxuries at 25-30 per cent." But the bulk of British goods entering the United States pay rates between 30 and 45 per cent., and on many items they are much higher. Table damask, for instance, wool noils and broad silks pay from 45 to 60 per cent. Carpets, china and porcelain ware pay between 60 and 75 per cent. Worsteds pay between 75 and 90 per cent. and earthenware, heavy woollen goods and cotton laces pay rates at 90 per cent. or higher. The scales are weighted more heavily against British than American exports.

While, therefore, we may look for reduced rates on those manufactured goods of which we are the chief suppliers to the United States—despite the lip service paid to the most-favoured-nation principle—the best relief that we could offer would be some help to the United States in the disposal of her agricultural surpluses in the world's greatest market for certain kinds of foreign foods. Professor Bidwell writes "99 per cent. of the world's exports of bacon and hams in 1930 were sold here, and 96 per cent. of the world's exports of mutton and lamb, 63 per cent. of the butter exports and 59 per cent. of the beef." But our own agriculturalists are so suffering already from imports that large subsidies are being given by the taxpayer on home-grown wheat, sugar, milk and meat.

Does, then, an Anglo-American Trade Agreement, which must provide a greater outlet for American primary products, involve either injury to the British farmer or a greater call upon the taxpayer's purse? The answer lies in the American grievance against the Ottawa Agreements. Their distinctive phases are the exemption of Empire products from the 10 per cent. duties imposed under the Import Duties Act, 1932, and the undertaking with various Dominions to maintain certain fixed margins of preference on specified commodities. In the recent new Anglo-Canadian Treaty of February 23rd, 1937, for instance, Great Britain undertakes to maintain the following margins of preference, among others:—

Wheat: 2s. a quarter.

Butter: 15s. a cwt.

Cheese: 15 per cent. *ad valorem*.

Raw apples and pears: 4s. 6d. a cwt.

Canadian timber: 10 per cent.

Canned salmon or other fish: 10 per cent.

Asbestos: 10 per cent.

Zinc and lead: 10 per cent.; and

Copper: Over £18 per ton.

There is little doubt that United States producers of wheat, barley, bacon and ham, lard and certain other items, have been severely injured by either the Ottawa Agreement or the quota arrangements entered into between Great Britain and other foreign countries. It is not the absolute amount of the British duties against which complaint is made, but the fact that competing producers in Canada, Australia, South Africa and elsewhere in the British Empire, pay either lower duties or no duties at all. If this dilemma is to be resolved the key must be found in the growing desire of the self-governing Dominions to conclude independent, yet supplementary agreements, with the United States, yielding the Dominions compensating gains for any concessions on Ottawa.

There, gentlemen, lie the backgrounds against which an Anglo-American Trade Agreement must be negotiated. There is no doubt, I believe, of the great desire in this country to see such an agreement successfully established. In the interests of the general good, mutual concessions will have to be made in varying degrees by different sectional industrial and agricultural interests. In this troubled world, each must no doubt fight for its own interest. It is perhaps not too much to hope that the struggles will not be waged in any narrow spirit but in one which takes account of the ever-widening international advantages which can be derived from a greater measure of friendship based on the growing volume of trade between the English-speaking peoples.

North Lancashire Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' District Society of North Lancashire was held at the Park Hotel, Preston, on March 4th.

MR. WALTER H. MARSDEN, Blackburn, a Vice-President of the District Society, presided over a large and distinguished company, which included the Mayor of Preston (Councillor O. A. Goodier); Mr. Walter Holman (President of the Society of Incorporated Accountants), the Mayor of Fleetwood (Captain Charles Saer, T.D.), Mr. H. P. Glover, K.C., J.P. (Recorder of Preston and Chairman of Preston Quarter Sessions), Sir John Taylor, Blackburn (Chairman, Spindles Board), Mr. J. Bennett Storey (General Manager, Lancashire Industrial Development Council), Mr. Trevor T. Jones (Town Clerk of Blackpool), Mr. John Bell (Town Clerk of Fleetwood), Mr. W. F. Ascroft, D.L., J.P., Mr. L. T. Little, B.Sc. (Deputy Secretary of the Society of Incorporated Accountants), Mr. T. H. Kevill, Major H. E. Hickmott (General Manager, Ribble Motor Services, Ltd., Preston), Mr. A. Janes (President of the Insurance Institute of North Lancashire), Mr. H. Eastwood (Manager, Williams Deacon's Bank, Preston), Mr. R. W. Lynn (Clerk to the Commissioners of Income Tax, Preston), Mr. J. R. Johnson (President, Preston Law Society), Mr. S. Grew (Inspector of Taxes, Preston), Mr. W. J. Willmoth (President, Chartered Accountants' Students' Society), and Mr. Arnold Horner (Editor, "Lancashire Daily Post").

The Loyal Toast having been honoured,

MR. H. P. GLOVER, K.C. (Recorder of Preston), submitted the toast of "The Society of Incorporated Accountants." He recalled a visit to the Society's headquarters in London to meet Mr. Holman, when he was admitted to a hall equal to those of most of the Livery Companies. There he had learned, to his amazement, that their Society was only 53 years old, having been founded in 1885. He found that the Fellows of the Society numbered 1,524; the Associates

5,689; and that the Society was of such exclusiveness that Honorary Members numbered only three, making a total of 7,216. He also found that Incorporated Accountants were to be found all over the world—even in Salt Lake City. His mind was carried back to the great strides that had been made in accountancy and the conduct of audits even since he was young. Looking through further literature about their Society, he found that included among their Fellows and Associates were some of the most famous men known in commerce and business to-day. Accountants and auditors had not only become a national asset; they were not only essential in commerce and industry, but they stood between the public and commerce and business for the sanctity of sound finance. Their Society, working hand in hand and side by side with the Institute of Chartered Accountants, had produced a state of confidence, not only in private but in public finance, which was the envy of the whole world. One knew that municipal finance was administered in a manner that inspired the greatest confidence of the public by such members of their Society as Mr. W. Allison Davies, Borough Treasurer of Preston, with whom he had had the privilege of coming into contact from time to time. He realised also the great confidence which was placed in accountants by the Inland Revenue and other Government departments, and when he endeavoured to ascertain the reason for that he came to the conclusion that it was because of the integrity of their members, which had been fostered by their Society. Paying a compliment to the personal qualities of Mr. Holman, whose name he coupled with the toast, Mr. Glover expressed the hope that it would not be long before they saw a Lancastrian as President of the Society.

MR. WALTER HOLMAN (President of the Society of Incorporated Accountants), responding to the toast, thanked Mr. Glover for the delightful way in which he had proposed the toast. One statement of Mr. Glover's needed amplifying. He had told them that their Society was 53 years old, but they were part of a profession which was very much older. Accountancy went back to the days before the Flood. Noah was an accountant, because they would remember that when the Ark was completed and it was time to populate it, he adopted the principle of "double entry." Mr. Holman said he had listened to Mr. Glover with great relief because he had spoken well of the Society and of the profession of which it was a part. He said that because during the past week an article which appeared in the *Manchester Guardian* entitled "Our Prickly Professions," had been sent on to him—he feared with malice aforethought. It was true that the accountancy profession was not specifically mentioned in the article, but that gave him little comfort because the writer quoted with approval Mr. George Bernard Shaw's dictum, "every profession is a conspiracy against the public." He was one of the great multitude who could enjoy Mr. Bernard Shaw's remarks without attaching any importance to them, but he confessed that the article had pulled him up with a jerk, and made him ask himself whether accountancy could be properly described as a conspiracy against the public. Lest they should misunderstand the writer's intentions, he rhapsodised as he warmed to his subject: "Professions are prickly articles, the very hedgehogs of the social landscape, and porcupines of fretfulness unqualified," and then descending to ordinary prose, he said that while a group "ought to have the advantages of professional pride and zeal for standards, it easily becomes haughty, suspicious, and conservative." They would all agree that much depended on point of view, and he could imagine that from some angles accountants might appear haughty, suspicious, and conservative. They asked for certificates of investments and of bank balances:

they called for the production of cash balances without previous warning; they insisted on the production to them of deeds of properties and of satisfactory evidence of all transactions; they insisted on the disclosure of all details of expenditure, and where they assisted in filling up income tax returns they insisted on a complete disclosure of income from all sources. They were adamant in their demands for a clear distinction in accounts between capital and income, and for proper provision for wastage and loss of capital assets. Their duties, which were the first principles of their work, might easily provoke resentment, but it was those qualities which had the appearance of suspicion and conservatism which made the results of their work so valuable to the industrialist, the investor, to banks, and to the Revenue Authorities. And even to those the accountant might sometimes seem to be "prickly." Why would he not tell all he knew of his client's affairs? Why should he be so sticky when the line between what was expedient and what was right was so ill-defined? He could only hint at the region of conflicting loyalties and opposing interests through which the professional accountant had to walk, but he thought he had said sufficient to make his hearers realise how necessary were the high qualifications and the rigid standards which the Society existed to promote and maintain. If he seemed to be pleading guilty to the charge of being "prickly" it was because in the experience of those whose work was based on definite principles there were bound to arise occasions when there could be no compromise, and when, to use an historic phrase, "they could do no other," but even so, the ideal accountant would, if he might change the metaphor, conceal a mailed fist by wearing a velvet glove, because not the least of the qualifications needed in a professional accountant was that of tact. But he was not pleading guilty to the charge that the Society was a conspiracy against the public. For the suggestion behind the charge could only be that the public was being unfairly exploited, and was not receiving adequate service for the fees charged. They would notice that he had referred to the Society rather than to the profession in that connection, because the profession had no legal constitution, and there were practitioners who did not belong to any of the recognised bodies, and who were not, therefore, subject to the restraint which the professional bodies exercised for the benefit of the public. He could only speak for their own members when he said that their conspiracy, or association, as he preferred to call it, was for the public, and not against it. How could it be otherwise? They were dependent upon the public, who were their clients, and their claim to its favour must rest upon the quality of their work and the value of their services because they were not allowed to advertise themselves. The facts that they were many and that competition for business was keen, meant unfortunately for them, that fees were sometimes cut, and any exploitation of the public could only be due to its inability to discriminate between the good and indifferent, and because of its failure to recognise that the cheapest was often the dearest in the long run. If he were to end on that note they might accuse him of taking too narrow a view of an accountant's responsibility and too mercenary a view of his work. Speaking at a Society function in London a few years ago, Mr. Leslie Burgin, the present Minister of Transport, used these words: "No Englishman worthy of his salt, if he has any leisure, refrains from offering his services to a wider circle than that of his own family and business." He suggested that this was particularly applicable to accountants, because of the great value which their knowledge and experience of accounts could be to the communities in which they lived and

worked. These were the days of vast expenditure in municipal as well as in national affairs. In the interests of the ratepayers and taxpayers by whom the bulk of the money was provided, it was essential that estimates should be carefully scrutinised and expenditure carefully watched to see that it was properly and economically applied. There was a sphere in which accountants could and should serve, and it was not an impossible ideal to suggest that the accountancy profession should be represented on the finance committees of all local authorities. In that way the profession could prove its value to the community, and thus help further to rebut the charge that it was a conspiracy against the public. Mr. Holman, after expressing appreciation of the work of the Secretary (Mr. Wareing) and the Committee of the North Lancashire District Society, and his regret at the absence through illness of the President, Mr. John Potter, J.P., said he welcomed and thanked Mr. Glover very sincerely for the generous tribute he had paid to the Society, which he was sure would inspire the members in that district in the fulfilment of their responsibilities. (Applause.)

SIR JOHN TAYLOR (Chairman of the Spindles Board) proposed the toast of "Our Civic Governors." He claimed some knowledge of the work of local authorities, because he had been a councillor, an alderman, mayor, leader of a party, and Chairman of the Finance Committee at Blackburn. Their civic governors were people who spent their time, their energy, and their ability for the welfare of their respective towns. Authorities these days had so much to do that taking a job on a town council meant spending several hours a day on the work. There was no doubt about it that the work of a mayor in a big county borough was a whole-time job, and he had the greatest admiration and respect for those who devoted their time to the service of their boroughs. He had taken a big part in the making of many mayors, and knew the work intimately. In addition to presiding over meetings and attending functions of all kinds, a mayor had much work behind the scenes. Like their President, he would like to see more accountants on the councils. There was a good sprinkling of lawyers on most of the councils, but within his knowledge there were few accountants. He would like to see Mr. Marsden, for instance, on the Blackburn Town Council. The problems of civic government were many and varied, and they deserved the consideration of the best brains in any town. He had argued for many years that more business, commercial, and professional men ought to come on their local authorities, and he hoped there were those present that night who would take that to heart. He thought that before long, many urban and rural authorities would be absorbed in the boroughs. Many town councils were supplying services to small authorities outside—gas, electricity, sewerage, water, and so on—and getting very little in return. He thought the problem could be solved by differential rating and differential charges for these services.

THE MAYOR OF PRESTON (Councillor O. A. Goodier) responded. He agreed with Sir John that it would be a good thing for the community if more professional and business men entered municipal life. There was a time when they had a succession of legal mayors. He believed he was now the only legal man on the Council. They had two dentists, but no architects, and no accountants.

THE CHAIRMAN proposed the toast of "The Visitors," and said how pleased they were to have other professions and commercial and industrial undertakings represented at their dinner.

Eloquent replies were made by Mr. T. H. Kevill and Mr. J. Bennet Storey, who paid their tributes to the invaluable part played by accountancy in national well-being.

Belfast and District Incorporated Accountants.

LUNCHEON MEETING.

A luncheon meeting of the Belfast and District Society of Incorporated Accountants was held on Monday, March 14th, when a discussion took place on "The Measurement of Profit." The discussion was opened by Mr. R. R. CRAWFORD, A.C.A., A.S.A.A., who said:—

Some years ago, when the Commissioner of Valuations addressed us, he spoke of the application of the yard stick to valuations. A yard stick is looked upon as something standardised and unchanging. Is there such a thing as a fixed standard for measuring profits? I think the answer is in the negative. There is the computation of the profits of a business, the goodwill of which is to be ascertained, and the computation of profits for income tax liability. In the latter case you know how the identity of a profit is changed beyond recognition; and then you have the somewhat apocalyptic method of the Northern Ireland Road Transport Board. About a hundred years ago in the town of Paisley there was an old merchant who, at the end of the year, took down from his shelves bales equal in value to the amount of his liabilities. Then, looking at those left on his shelves, said: "The rest are my own." It was a rough and ready method of arriving at his financial position, and in these precise days of Companies Acts, Income Tax Acts and Bankruptcy Acts, it would hardly meet with approval. It seems to me that the importance of the question of the measurement of profit applies principally to companies, private and public, especially public, because the directors of public companies are dealing with the funds of the public. In the case of a private concern or a partnership, if too much is drawn out it is possible to pay it back, but if there is an overpayment of dividend to shareholders it is well nigh impossible to recover it. We shall look at this question of measurement as it affects companies. It has been said that profits may be considered from three points of view: (1) the Economic, (2) the Legal and (3) the Commercial. The economist tells us what profits might be, the lawyer what they must be and the commercial man what they ought to be. In considering the profits of companies, it is just as well to follow the guidance given by the decisions given in the different cases that have come before the Courts. Sometimes these decisions give a latitude that a careful and prudent accountant would not take. What are profits? The term "profits" is incapable of exact definition. In one set of Articles it may mean one thing and in another set of Articles it may mean quite another thing. The problem is, therefore, one of interpretation depending on the particular circumstances of the case under immediate consideration. Table A of the Companies Act, 1862, provides that no dividend shall be paid except out of "profits arising from the business of the company," while Table A of the last Act provides that "no dividend shall be paid otherwise than out of profits." Those of you who are students of tax cases will remember that the question of what are profits has been before the Courts for many years and it would seem that the question will never be decided. Let us look, for a moment, at some of the answers to the question by the Judges. In *Gresham Life Assurance Society v. Styles*, Lord Herschell said: "The expression 'balance of the profits or gains' is not a happy one; but the meaning obviously is the balance arrived at by setting against the receipts the expenditure necessary to earn them." In *Ushers' Wiltshire Brewery, Limited v. Bruce*, Lord Parker of Wad-

dington said: "The expression 'balance of profit or gains' implies, as has often been pointed out, something in the nature of a credit and debit account, in which the receipts appear on the one side and the costs and expenditure necessary for earning those receipts appear on the other side. Indeed, without such account it would be impossible to ascertain whether there were really any profits on which the tax could be assessed." In the case of *The Spanish Prospecting Company Limited*, Lord Justice Fletcher Moulton defined profits thus: "We start, therefore, with this fundamental definition of profits, viz., if the total assets of the business at the two dates be compared, the increase which they show at the later date (due allowance, of course, being made for any capital introduced into or taken out of the business in the meanwhile) represents in strictness the profits of the business during the period in question." Mr. Justice Farwell in *Re The Spanish Prospecting Company* said: "The profits arising from the business of a company are not necessarily the same as the profits of that company. A company may have fixed capital as well as circulating and in that case the profits of its business would be those arising from the use of its circulating capital, excluding its fixed capital. For instance, the profits arising from a trader's business would not include the increase of the cost price of a freehold warehouse used in the business and afterwards sold." In the important case of *Ammonia Soda Company v. Chamberlain*, Mr. Justice Peterson pointed out that the payment of a dividend when there is no balance to the credit of profit and loss is clearly *ultra vires*, but went on to say that, where a company has made losses in past years and then makes a profit out of which it pays a dividend, such dividend is not paid out of capital, for "if it were the paid-up capital would be still further reduced by the payment," and "in fact, the assets representing the paid-up capital remain the same or of the same value as before the payment of the dividend."

The task of directors and their advisers might be easier if the small word "profits" were defined; but it has never been, and cannot be, defined in general terms, for the reasons given by Lord Macnaghten in *Dovey and Cory*, where his Lordship says: "I do not think it desirable for any tribunal to do what Parliament has abstained from doing, i.e., to formulate rules for the guidance and embarrassment of business men in the conduct of business affairs. There never has been, and I think there never will be, much difficulty in dealing with any particular case on its own facts and circumstances, and I rather doubt the wisdom of attempting to do more." There is the very important question of the payment of dividend, and as this would be a subject for another discussion, I shall just refer to it. Lord Justice Cotton in *Lee v. Neuchatel Asphalt Company* said: "It is a well established principle of company law that the capital of a company must not be applied for any purpose not one of the objects of a company . . . it is well established that the paying of a dividend is not one of the objects of a company"; and Lord Justice Lindley, in *Verner v. General & Commercial Investment Trust* said: "There can be no doubt that even if a Memorandum of Association contained a provision for paying dividends out of capital such provision would be invalid." I think we may take it that it is unlawful to pay a dividend out of capital and it follows that, if any part of the excess of receipts over expenditure is capital, that part of the excess must not be divided.

In the discussion which followed the following members took part: Mr. J. S. White (chairman), Mr. J. A. Winnington, Mr. J. D. Thompson, Mr. E. A. Anderson, Mr. W. Keith, Mr. D. T. Boyd, Mr. Robert Bell and Mr. H. McMillan.

Society of Incorporated Accountants and Auditors.

Scottish Branch.

(Scottish Institute of Accountants.)

Annual Report.

The Council have pleasure in presenting the fifty-eighth annual report of the Scottish Branch for the year ended December 31st, 1937.

DEATHS OF MEMBERS.

Since the last annual report the Council regret to report the death of one of their colleagues, Mr. Archd. Macintyre, J.P., F.S.A.A., Hamilton. Mr. Macintyre became a member of the Scottish Institute more than forty years ago, and took an active interest in its work for many years before becoming a member of the Council. In 1921 he was elected to fill a vacancy, and proved a very useful member of Council. Another member of the Scottish Branch, Mr. Robert Smith, A.S.A.A., lost his life through a motor accident. He was a member of the staff of the Glasgow City Chamberlain, and was a young man of considerable promise.

MEMBERSHIP.

Notwithstanding losses by the removal of several young members to other districts, the membership of the Branch shows an increase over last year.

Junior members who may wish a change are reminded that an employment register is kept at the London office, and vacancies are advised to candidates whose names are on the Register, or who intimate to the Secretary of the Branch that they wish to know of vacancies.

Following a precedent of many years, the Council held a meeting in Edinburgh during the year, and had an opportunity of meeting a number of the members and students in that City. The Secretary also visited Edinburgh on several occasions for the purpose of interviewing candidates, and advising them with regard to their studies.

The President and Secretary visited Aberdeen, and had an interesting meeting with members and candidates belonging to Aberdeen and the North East of Scotland. There was a large attendance of students, and a very useful discussion took place with regard to the difficulties of candidates in that area, which the Council have had under consideration with the view to giving such assistance as is in their power.

STUDENTS' SOCIETIES.

An increase in the number of members in the Students' Societies has again to be noted. Considerable activity has been shown by the Glasgow Students' Society during the year. The report of that Society shows that nine lectures had been given on Law and Accountancy subjects during 1937. Attendances and the interest of members have been maintained throughout the year. Arising out of one of the lectures of the previous session, students were invited to send in papers on "Apportionment." A number of papers were sent in and were adjudicated by Mr. Fred. D. Greenhill, C.A., one of the Lecturers, who decided that the two best papers were by Mr. John A. Stewart and Mr. George A. MacDonald, and book prizes were presented to these candidates at a meeting of the Students' Society from the W. D. Hall Prize Fund. A further series of lectures has been arranged for the current year.

In view of the activities of the Glasgow Students' Society, the Council had been in the habit of paying certain expenses in connection with the lectures, and instead of continuing these outlays, the Council considered it better to make a grant of £25 for 1937. All

students, under Bye-Law 24, are required to become members of a Students' Society, but qualified members in the Glasgow area are invited to become Hon. Members, which they can do by paying 5s. to the Hon. Secretary of the Students' Society, Mr. J. Hawthorne Paterson, F.S.A.A., 78, St. Vincent Street.

EXAMINATIONS.

The usual Examinations were held in May and November, 1937, and were attended by 35 candidates, of whom only 15 passed, which cannot be considered satisfactory. The Council, however, are happy to note that one of the Preliminary candidates was in the Honours list, and a prize will be presented to him at the Annual Meeting from the W. D. Hall Prize Fund.

The examination and other fees paid through the Branch in 1937 amounted to £212 16s. 6d., against £277 16s. 6d. in 1936. The dates of the examinations in 1938 have been fixed as follows: May 2nd, 3rd, 4th and 5th, and October 31st, November 1st, 2nd and 3rd.

W. D. HALL PRIZE FUND.

The Council have again to report with pleasure a further payment, being the ninth, of £4 from Mr. W. Davidson Hall, towards the Prize Fund, and would place on record the great indebtedness of the Students' Societies, and particularly the Glasgow Students' Society, to Mr. Hall for his constant practical interest in their work.

LIBRARY.

A number of new books have been added to the Library, and the Council have again to express their thanks to an Edinburgh member who has once more given a donation to be expended in Library books, and who wishes to remain anonymous.

LONDON COUNCIL.

As in former years, the President and Secretary represent the Scottish Branch on the London Council, and report to the Scottish Council from time to time matters affecting Scottish interests.

The Scottish Branch was represented at the Jubilee proceedings of the Sheffield District Society in September last by the Secretary of the Branch.

GLASGOW CHAMBER OF COMMERCE.

The Scottish Branch continues to be represented in the membership of the Glasgow Chamber of Commerce by the President, Mr. Robt. T. Dunlop, F.S.A.A., and Mr. John A. Gough, F.S.A.A.

The Council, having considered the extra work, clerical and otherwise, put upon the Secretary in recent years, advanced his remuneration to 125 guineas per annum, and the Secretary desires that it should be known that this was done without any application, direct or indirect, on his part, but which action on the part of the Council is very much appreciated.

BENEVOLENT FUND.

The Council again commend the Society's Benevolent Fund to the support of the Members of the Scottish Branch, either by Life Membership, Donation or Annual Subscription. Calls on the Benevolent Fund from Scottish Members have fortunately been few, but the Council wish to make it known that the Trustees of that Fund have been prompt and generous in dealing with such applications when the necessity for them arose.

The Council also recommend that all members of the Branch and senior candidates should be subscribers to the *Incorporated Accountants' Journal*, the official organ of the Society, the annual subscription to which is 12s. 6d.

VACANCIES IN COUNCIL.

The members of Council who retire at this time are: Mr. Robt. T. Dunlop, Glasgow; Mr. John A. Gough,

Glasgow; Mr. J. T. Morrison, J.P., Coatbridge; and Mr. Festus Moffat, J.P., Falkirk, who are eligible for re-election. The co-option by the Council of Mr. Robert Milne, F.S.A.A., Glasgow, to fill the vacancy caused by the death of Mr. Archd. Macintyre also falls to be confirmed at this meeting.

AUDITORS.

The Auditors, Mr. J. C. McMurray, F.S.A.A., Kilmarnock, and Mr. W. D. Fisher, F.S.A.A., Glasgow, also retire, and are eligible for re-election.

ANNUAL MEETING.

The fifty-eighth annual meeting of the Scottish Institute of Accountants (the Scottish Branch of the Society of Incorporated Accountants and Auditors) was held in Glasgow on 11th ult.

Mr. Robert T. Dunlop, F.S.A.A., President of the Scottish Branch, presided over a large attendance, which included a number of students, and was supported by Mr. Richard A. Witty, Member of Council of the Society, Mr. W. Davidson Hall, and Mr. D. R. Matheson, M.A., LL.B., Vice-Presidents, Mr. J. Stewart Seggie, Past President, and Mr. James Paterson, Secretary of the Scottish Branch.

In moving the adoption of the report, Mr. Dunlop referred to the good turn-out of members. The Branch showed considerable progress during the year. More than double the number of articulated clerks and other candidates had qualified for permission to sit the examinations of the Society, as compared with the previous year.

The training of articulated clerks and other candidates had received considerable attention, and the attendances at the lectures of the Glasgow Students' Society had been particularly gratifying. In this connection he paid a tribute to the generous interest taken by Mr. Davidson Hall in the Students' Societies.

The examination results had not been as satisfactory as they would have liked, but every effort was being made to secure the adequate training of their students, taking into account the high standard demanded by the Society.

Despite losses by death and the removal of several young members to other districts, the membership of the Branch showed an increase over last year. Going over various matters mentioned in the report, the Chairman called attention to the Benevolent Fund, which he heartily commended for the support of the members of the Branch.

Mr. W. Davidson Hall seconded the adoption of the report and the motion was agreed to.

The following members of the Council were re-elected: Mr. Robt. T. Dunlop, Mr. John A. Gough, Mr. Robert Milne, Glasgow; Mr. J. T. Morrison, J.P., Coatbridge; and Mr. Festus Moffat, J.P., Falkirk. The auditors, Mr. J. C. McMurray, Kilmarnock, and Mr. W. D. Fisher, Glasgow, were re-elected.

The Chairman said they were pleased that one of their Glasgow students, Mr. Hyman J. Goldman, had been placed in the Honours List in the Preliminary examination last year, and had been awarded a prize from the W. D. Hall Prize Fund. Accordingly he had pleasure in handing over to Mr. Goldman three books on accountancy subjects. Mr. Goldman suitably acknowledged the gift.

At the close of the business, the meeting was addressed by Mr. Witty. He expressed his pleasure at the large attendance, particularly of so many young members. He said that the Scottish Branch had, under the agreement made in 1899, several privileges not enjoyed by any other Branch or District Society. They could appoint their own representatives on the London Council, and had other advantages in the administration of the Branch. These privileges they should value and conserve. Since 1899 the Scottish Branch had been well served by its representa-

tives on the London Council. He could assure them their interests were well looked after.

Mr. Witty then referred at some length to the necessity for proper training for the profession they had chosen. He told the students present that the examinations required persistent study to be successful—it meant, not intermittent study, but continuous persistent study for the whole five years of their articles. If they failed they must not blame the examiners, but blame themselves. He was sure the Scottish Council were doing everything possible to assist them in preparing for the examinations, and he trusted those who had still to present themselves would be successful.

The Chairman said they owed Mr. Witty their best thanks for his attendance at their annual meeting, and for his helpful address, which was duly accorded.

In reply, Mr. Witty said that it had been a real pleasure to meet so many members of the Scottish Branch that day.

Mr. H. T. Spiers, B.Sc., Edinburgh, who said he was one of the youngest qualified members, concurred in the appreciation of Mr. Witty's address, and moved a vote of thanks to the Chairman for presiding.

LUNCHEON TO MR. RICHARD A. WITTY.

Members of the Scottish Branch attended a luncheon on 11th ult. in the Central Hotel, Glasgow, when they were addressed by Mr. Richard A. Witty, Member of Council, on "Company Law Amendment."

Mr. Robt. T. Dunlop, F.S.A.A., President of the Scottish Branch, presided over an attendance of about 80, and was supported by Mr. Hugh R. Buchanan, LL.B., S.S.C., Dean of the Faculty of Procurators in Glasgow; Mr. James Leggat, Collector of Trades House; Mr. D. Norman Sloan, C.A., B.L., Secretary of the Institute of Accountants and Actuaries, Glasgow; Mr. Edward J. Baxter, solicitor; Mr. Charles Milne, K.C.; Mr. James Ledingham, Manager of the North of Scotland Bank, Ltd., Glasgow; Major Herbert Bell, General Manager of the Glasgow Corporation Electricity Department; Mr. J. Stewart Seggie, F.S.A.A., C.A.; Mr. W. Davidson Hall, F.S.A.A.; Mr. M. F. Matheson, Manager of the National Bank of Scotland, Ltd., Glasgow; Mr. Donald A. S. McLeish, M.A., LL.B.; Mr. Frederick W. Dimmer, M.A., B.Sc. (London); Mr. D. R. Matheson, M.A., LL.B., F.S.A.A.; Mr. P. G. S. Ritchie, F.S.A.A.; Mr. W. L. Pattullo, F.S.A.A.; Mr. John A. Gough, F.S.A.A.; Mr. W. J. Wood, F.S.A.A.; Mr. W. Hill Jack, F.S.A.A.; Mr. Wm. Houston, F.S.A.A.; Mr. E. Hall Wight, F.S.A.A.; Mr. Frederick Greenhill, C.A.; Mr. George F. Todd, C.A.; Mr. Robert Fraser, F.S.A.A.; Mr. Robert Milne, F.S.A.A.; Mr. Alexander Mitchell, C.A.; and Mr. James Paterson, F.S.A.A., Secretary of the Scottish Branch.

Apologies for absence were intimated from Mr. Matthew Mitchell, C.A., President of the Institute of Accountants and Actuaries, Glasgow; Mr. Thomas Cameron, C.B.E., Secretary of the Glasgow Chamber of Commerce; Mr. John D. Imrie, M.A., B.Com., F.S.A.A., City Chamberlain, Edinburgh, and others.

Mr. Dunlop said they were there that day to hear an address from Mr. Witty, a Member of the London Council, and one of the most active members of the Society of Incorporated Accountants. He was pleased to welcome the guests who had come. They represented Law, Banking, and Commerce, as well as Accountancy, and he was sure they would have an interesting address from Mr. Witty.

Mr. Witty, who was received with applause, said he had first of all to thank the Council of the Scottish Branch for inviting him to Glasgow, and giving him an oppor-

tunity of meeting so many of the Scottish members of the Society. The subject he had chosen for a brief address was one in which all business men, as well as accountants, were deeply interested.

After discussing various matters arising from the Greene Committee's Report and the Companies Act, 1929, Mr. Witty dealt with the question of the amendment of Company Law. He pointed out that the abuses of the limited liability principle were as great to-day as they ever had been in the past, and suggested that those abuses could best be remedied in part or in whole by a limitation or restriction of the principle of limited liability so far as those engaged in actual management were concerned. He pointed out that unsecured creditors needed to be safeguarded and protected quite as much as shareholders. He drew attention to the fact that prior to the passing of the first Companies Act in 1862 there was a tremendous struggle between two schools of thought, one being in favour of the application of the principle without qualification or distinction, the other being in favour of applying the principle of limited liability to shareholders, but not to those engaged in the actual management of the company. Having regard to the large number of companies which went into liquidation every year, and to the fact that in many cases creditors received no dividend whatever, he thought the time had come to give serious consideration to this proposal, to weigh the arguments on both sides with a view to striking a trial balance, having due regard to the financial and economic effects on the individual, on the commercial community as a whole, and on the State.

Mr. J. Stewart Seggie moved a vote of thanks to Mr. Witty for his address, which was cordially given, and Mr. Witty, in reply, expressed his pleasure at having had the opportunity of visiting the Scottish Branch.

Mr. P. G. S. Ritchie moved a vote of thanks to the Chairman for presiding, which was duly accorded.

Scottish Notes.

[FROM OUR CORRESPONDENT.]

Meeting of Scottish Council.

A meeting of the Council of the Scottish Branch was held in Glasgow on March 11th. There were present: Mr. Robert T. Dunlop, President of the Branch; Mr. W. Davidson Hall and Mr. D. R. Matheson, Vice-Presidents; Mr. Robert Fraser, Mr. John A. Gough, Mr. William Houston, Mr. W. Hill Jack, Mr. Robert Milne, Mr. P. G. S. Ritchie, Mr. E. Hall Wight, Glasgow; Mr. W. L. Pattullo, Dundee; Mr. J. Stewart Seggie, Edinburgh; Mr. W. J. Wood, Perth; and Mr. James Paterson, Secretary.

Apologies for absence were intimated from Mr. Walter MacGregor, J.P., Mr. E. Mortimer Brodie, Mr. Alexander Davidson, Mr. Festus Moffat, J.P., Mr. D. M. Muir and Mr. J. T. Morrison, J.P.

Mr. Dunlop referred to the death, since last meeting of Council, of Mr. Robert Watson McKirdy, one of their members in Glasgow, who had been an active member of the Students' Society in its early days.

A number of membership matters were dealt with by the Council, after which Mr. Richard A. Witty, member of Council and vice-chairman of the Examination and Membership Committee, conferred with the Council on a number of matters connected with the Society's membership in Scotland.

Glasgow Students' Society.

A lecture on "Partnership Accounts" was given on 9th ult, by Mr. Frederick D. Greenhill, C.A. Mr. W. Davidson Hall, F.S.A.A., presided over a large attendance

of students. The lecture was illustrated by examples of accounts between partners, involving various problems. It was intimated that the next lecture would be held in the Constitutional Club on April 13th, at 6.30 p.m., and would be on "Consolidated Accounts."

The Late Mr. R. W. McKirdy, Glasgow.

We regret to report the death of Mr. Robert Watson McKirdy, Incorporated Accountant, Glasgow, who died on March 5th. Mr. McKirdy, who retired from active work a number of years ago, was at one time a very active member of the Glasgow Students' Society. For a time he was President of the Students' Society, and on several occasions read papers to that Society on professional subjects. In pre-war days, and before the advent of a number of tutorial bodies, he devoted considerable attention to the tuition of candidates for the Society's examinations, which in his case was chiefly a labour of love to assist the students. He had been laid aside by illness for quite a number of years.

Mr. A. J. Hodson, Coatbridge.

Mr. A. J. Hodson, Coatbridge, who recently qualified as a member of the Society, has been appointed assistant Town Treasurer of the Burgh of Port Glasgow.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g., (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*; All E.R., *All England Reports*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland.

COMPANY LAW.

Re Home Grown Sugar, Limited.

Shares allotted to a Minister of the Crown.

Simonds (J.) held that if provision is made that in the event of the winding up of a company some of whose shares are held by a Minister, the surplus assets shall be applied in payment to the Minister of a sum equivalent to the amount of dividend received on a share of the company originally issued to the public, then the amount payable to the Minister is the actual amount received by any other shareholder.

(Ch.; (1938) L.J.N., 68.)

In re B. P. Fowler, Limited.

Fraudulent Preference in Winding Up.

A company carrying on the business of road contractors purchased its material from two supply companies. By the custom of the trade the supply companies made advances from time to time to the company. One of the supply companies was indebted to the company on two paving contracts. Within three months of the winding up of the company the company paid to the supply companies sums for goods supplied by them in

circumstances which made any payment by the company to the supply companies a fraudulent preference and during the same period one of the supply companies made advances from time to time to the company and the other supply company paid to the company sums due on account of the tar paving contracts. There was no identity of dates or amounts between the payments and the advances and all the transactions were entered in separate accounts.

It was held that as there had been no attempt to set-off the advances and payments to the company against the payments made by the company, all the payments by the company were a fraudulent preference.

(Ch. ; (1938) 1 Ch., 113.)

Frinton & Walton U.D.C. v. Walton Sand Mineral Company.

Representation of Company in Court.

Morton (J.) held that a limited company cannot be represented in Court by its managing director.

(Ch. ; (1938) All E.R., 649.)

EXECUTORSHIP LAW AND TRUSTS.

In re Nicholson's Settlement.

Life interest in Income from Settled Fund.

Where there is only one person in whose favour a power of appointment can be exercised there can be no fraud on the power unless there is evidence of some arrangement or bargain between the appointor and appointee not necessarily of legal effect but of such a kind that the appointee is to give effect to the purpose of the appointor in order to benefit someone other than himself.

(Ch. ; (1937) 54 T.L.R., 249.)

In re Wyles ; Foster v. Wyles.

Non-payment of Legacies within "Executor's Year."

By his will a testator provided that legacies to two legatees should abate equally if his estate should not be sufficient to pay the whole of certain other legacies. The estate was not sufficient to pay the whole of the legacies specified and those legacies were not paid within a year of the testator's death.

It was held that the interest payable on a legacy which was not paid at the end of the "executor's year" was not in any sense a legacy given by the testator, and therefore in the present case it must not be added to the legacies entitled to the benefit of the direction as to abatement so as to be set against the legacies subject to the burden of that direction.

(Ch. ; (1938) 54 T.L.R., 336.)

INSOLVENCY.

In re Lady Bowden.

Bankrupt Married Woman.

The Court of Appeal held that creditors have no equity that the wife should be supported by the husband and thus make the whole income available for the payment of debts where the property settled has been wholly provided by the husband.

(C.A. ; (1937), L.J.N., 419.)

REVENUE.

Spilsbury v. Spofforth.

Maintenance Free of Tax.

Finlay (J.) held that when an order is made for the payment of maintenance free of tax, the payment having in fact been allowed as deductions against the income of a divorced husband, the payee is entitled to repayment of the tax which the payments free of tax must have suffered by deduction.

(K.B. ; (1937) L.J.N., 402.)

Bennett v. Marshall.

Income from Possession Out of United Kingdom.

The Court of Appeal held that the source of an income is the place where it comes to the employee, and not the place where it is earned.

(C.A. ; (1938) L.J.N., 66.)

Re Borough, Deceased.

Legacies Free of Duty.

Simonds (J.) held that a direction to pay all death duties "payable in consequence of my death" does not cover the duty on legacies not expressly given free of duty.

(Ch. ; (1938) L.J.N., 140.)

Paget v. Inland Revenue Commissioners.

Foreign Bearer Bonds.

P. was the owner of bearer bonds of the City of Budapest. Interest payments in sterling were stopped by a decree of the Hungarian Government and the municipality was required to pay into the Hungarian National Bank an equivalent sum in pengos to the credit of a foreign creditors' fund, out of which payment of interest in pengos was obtainable subject to the proceeds being applied to certain purposes within Hungary.

P. was also the holder of certain bearer bonds of the Kingdom of Yugoslavia. In respect of these bonds payment in dollars was suspended, the holder being given the option either of payment in dinars in Belgrade, subject to restrictions as to use of the dinars, or of 10 per cent. in dollars and the remainder in funding bonds. P. accepted none of these offers but sold her coupons through agents.

The Court of Appeal affirmed the decision of Finlay (J.) (see *Incorporated Accountants' Journal*, November, 1937, p. 80), and held as to both sets of bonds that the proceeds of sale were not income arising either under Case IV of Schedule D or under Schedule C, and did not fall to be included in P.'s total income for the purposes of assessment to surtax.

(C.A. ; (1938) W.N., 88.)

Cross v. London and Provincial Trust.

Suspension of Interest Payments.

The respondent company were holders of 6½ per cent. Brazilian Bearer Bonds. The Brazilian Government, finding itself compelled to suspend payment of interest, put forward a funding plan under which interest coupons were exchangeable for 20 year funding bonds. The respondent company exchanged its coupons as they fell due for funding bonds and sold the latter.

It was held by the Court of Appeal, affirming the decision of Finlay (J.) (see *Incorporated Accountants' Journal*, November, 1937, p. 80), that the proceeds of sale of the funding bonds did not constitute income arising to the company from foreign securities within Case IV of Schedule D of the Income Tax Act, 1918.

(C.A. ; (1938) 54 T.L.R., 399.)

RATES AND RATING.

Liverpool Corporation v. Hope.

Recovery of Rates.

The Court of Appeal held that an action will not lie for the recovery of rates, that distress is the only remedy, and that a receiver appointed by mortgagees is under no statutory duty to pay rates.

(C.A. ; (1938) L.J.N., 140.)